

Comprehensive Annual Financial Report

For The Year Ended December 31, 2004

COUNTY OF CALHOUN, MICHIGAN COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004

Board of Commissioners:

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INTRODUCTORY SECTION





Calhoun County

Office of the Administrator/Controller

"Building A Better County Through Responsive Leadership"

315 West Green Street Marshall. MI 49068 Office (269)-781-0966 Fax (269)-781-0140

May 3, 2005

To the Honorable Chairman, Members of the Board of Commissioners and the Citizens of the County of Calhoun, Michigan:

The comprehensive annual financial report of the County of Calhoun, Michigan (the "County") for the year ended December 31, 2004, is hereby submitted in accordance with Michigan Act 2 of the Public Acts of 1968, as amended. This Act requires that the County issue an annual report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, our framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As Management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended December 31, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The auditors' report related specifically to the single audit is not included in this document, but is issued under separate cover.

This report is presented in three sections: Introductory, Financial, and Statistical.

The Introductory Section includes this letter of transmittal, a copy of the "Certificate of Achievement for Excellence in Financial Reporting" presented to the County for the Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2003, the County's organizational chart, and a list of the County's Board of Commissioners.

The Financial Section begins with the Independent Auditors' Report on the basic financial statements and schedules for the fiscal year ended December 31, 2004. Management's Discussion and Analysis (MD&A) follows and is designed to compliment this letter of transmittal and accordingly, should be read in conjunction with it. The MD&A is a requirement of Generally Accepted Accounting Principles, which require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The basic financial statements follow the MD&A and are comprised of government-wide financial statements, fund financial statements and the essential notes to the basic financial statements. Detailed financial information on fund types, and discretely presented component units are listed at the beginning of sub-sections within the Financial Section.

The Statistical Section includes unaudited financial and demographic information. It is presented on a multi-year basis where available.

PROFILE OF CALHOUN COUNTY GOVERNMENT

Calhoun County was incorporated on October 29, 1829. It covers an area of approximately 709 square miles. The County Seat is located in the City of Marshall, mid-way between Chicago and Detroit near the junction of two major interstate highways - I-94 (east-west) and I-69 (north-south). The City of Battle Creek is the largest metropolitan area in the County. The population of the County per the 2004 U.S. Census estimate is 139,067.

The County is governed by a seven-member elected Board of Commissioners. Members of the Board of Commissioners are elected on a partisan basis for two-year terms from within their respective districts that are approximately equal in population. The Board elects from its ranks a Chairperson and a Vice Chairperson by majority vote. The administration of the County, other than as delegated to elected officials, is guided by the County Administrator/Controller who is appointed by a two-thirds vote of the Board of Commissioners and serves at its pleasure. The Board is responsible for determining the type and level of County services, adoption of the County Budget, equalization of County property values, legislative oversight of County services and the appointment of various boards, commissions and County officials. In turn, the County Administrator/Controller is responsible for carrying out the Board's policies and resolutions, and managing the day-to-day operations of the County.

Judges of the 37th Judicial Circuit and the Probate Court and the 10th District Court are elected at large for six-year terms. Operation of the court system is under the auspices of the Michigan Supreme Court and the respective presiding Judges, while the County government primarily provides financial support.

Administration of the County is divided by the Michigan Constitution among various statutory County officials, including the County Treasurer, County Clerk/Register of Deeds, Prosecuting Attorney, Drain Commissioner and Sheriff, who are elected at-large for four-year terms. The County Treasurer is the custodian of all funds, administers the collection of delinquent property taxes, and performs other duties concerned with the interrelated fiscal affairs of County departments and agencies. The duties of the County Clerk include keeping and maintaining records of births, deaths, marriages and discharges of military personnel, and serving as Clerk of the Board of Commissioners. The duties of the Register of Deeds include the recording of deeds, mortgages, surveys, plats, notices of liens and bills of sales. The Prosecuting Attorney prosecutes violations of State criminal law within the County and may represent the County in appropriate Courts. The County Drain Commissioner administers the location, construction and maintenance of drains in the County. The Sheriff's duties involve the charge and custody of the County Jail, the serving of processes and primary law enforcement response in areas of the County without local police functions.

In addition, the Board of Commissioners appoints several County officials, including the Administrator/Controller, Health Officer, Medical Examiner and the Equalization Director with responsibilities as defined by statue, County ordinance or resolution. The Administrator/Controller's responsibilities include direction of central administrative functions of the County government and acting as a liaison on behalf of the Board of Commissioners between County offices, appointed officials and the general public. The Health Officer directs the operation of the County Health Department in accordance with Board of Commissioner's directions and as authorized by State law. The Medical Examiner serves as the Medical Director of the Health Department as well as performing the statutory duties of Medical Examiner. The Equalization Director oversees the equalization process of the County as prescribed by law.

The Board of Commissioners also appoints various boards and commissions to oversee specific County services and to advise the Board on certain matters of interest. Appointments to boards overseeing specific County functions include the Board of County Road Commissioners, the Board of Public Works, the Board of Parks Trustees, the Board of Health, Senior Millage Allocation Committee, Summit Pointe Board of Directors, and Veterans Affairs Committee. The Board also appoints members to various advisory committees and to regional bodies overseeing other programs providing services to the residents of the County.

The business of the County is carried out on a daily basis by over 600 employees located on several different campuses throughout the County. The primary locations are Marshall, the County seat, Battle Creek and Albion.

This report includes all funds of the County and its component units. The County provides a full range of services to County residents. Services are provided in the areas of public safety (law enforcement, jail administration and planning/development), judicial (administration of the courts and probation departments), elections, public works, health services, social services, cultural (MSU cooperative extension services), road repair and maintenance services, parks and recreation, and general administrative services. In any one day, hundreds of people assess County services:

- They may be utilizing one of the many public health, sanitation or disease control services provided by the Health Department, the support services of County Veteran Affairs, or the residential services of the Medical Care Facility. They may be utilizing one of the many other human service programs supported by County funds in the area of mental health, substance abuse, aging, special transportation, or youth violence prevention.
- They may be utilizing the services of the County Prosecutor, the Sheriff, or the Courts, or anticipating the arrival of the law enforcement or emergency medical personnel dispatched by the proposed County-supported 911 center.
- They may be obtaining birth, death, tax or property information from the Offices of the County Clerk, Register of Deeds or the Treasurer; participating in elections; or getting assistance in drainage-related problems from the Drain Commissioner.
- They may be attending educational events sponsored by MSU Cooperative Extension or enjoying one of the County Parks.

The annual budget serves as the foundation for the County's financial planning and control. The County maintains real-time budgetary controls using an integrated financial management software package. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the general and special revenue funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established by defined cost categories (business units) within an activity or individual fund. Budgetary transfers are permitted in accordance with Board-adopted budget policies. Transfers of appropriations less than or equal to \$20,000 within an activity may be approved by the County Administrator/Controller; transfers greater than \$20,000 require the approval of the Board of Commissioners. As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

The County's strategic plan is intended to provide the foundation for budgetary decisions by establishing a vision, mission and long-range objectives. In addition to the strategic plan, the Board of Commissioners, at least annually, establish a set of priorities for the development of the budget. The intent of the priorities is to remain consistent with the overall objectives in the strategic plan but yet develop specific priorities which reflect current issues.

The priorities identified by the Board of Commissioners over the past several years have consistently included:

- Consolidating legal services under a managing attorney who will serve as civil counsel to the Board of Commissioners
- With technology playing an ever increasing role in how citizens, visitors, businesses, and employees conduct business with the County, a commitment to maintaining and upgrading the technological infrastructure of the County.

- Juvenile Home capital improvements long deferred in anticipation of the construction of a new facility which was not approved by the voters and a commitment to maintaining and enhancing and juvenile justice system.
- Continued attention to the various components of the adult criminal justice system as monitored by the Criminal Justice System Workshop.
- Through the leadership of the Board maintain and enhance employee relations.
- Improving the purchasing system to be more user friendly and to encourage the utilization of local and minority vendors.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local Economy. Through a varied industrial, commercial and agricultural base, the County enjoys a relatively stable economic environment and indicators point to a continuation of this trend. The Fort Custer Industrial Park has become Michigan's largest industrial park. Located in the City of Battle Creek, the park, which is a customs free trade zone, encompasses 3,000 acres and contains 85 companies employing more than 9,000 people. The City of Battle Creek is host to the world headquarters of Kellogg Corporation and the cereal manufacturing industry. Also, Battle Creek is a U.S. Customs Port of Entry and contains a Foreign Trade Zone. A commercial shopping corridor in the Battle Creek/Emmett Township area serves a regional market. Automotive and plastic parts manufacturers, insurance companies, iron foundries, farms (approximately 1,200) and related agricultural businesses provide a variety of employment opportunities. A major U. S. Veterans Hospital in Battle Creek and community/regional hospitals in Albion, Battle Creek and Marshall provide health care services as well as additional employment opportunities. Higher education is available to County residents and others at several public and private colleges located in Albion and Battle Creek. Finally, in addition to established industrial parks in Albion, Battle Creek, Marshall, Tekonsha and Springfield, the County possesses three significant recreational parks that have nearby rail and interstate access: Kimball Pines Park, Historic Bridge Park at Riverside Park, and the Ott Preserve.

A small amount of manufacturing and service sector layoffs have pushed county unemployment to 6.8% in 2004 (down from 7.2% in 2003), after several years of levels that were consistent with the state and nation. Manufacturing, trade, government, and services are key employment sectors, with leading employers including Denso Manufacturing Michigan Inc. (automobile parts, 2,400); Kellogg Company (headquarters, 1,750); U.S. Department of Defense, Logistics Service Center (Federal government, 1,600 employees); Battle Creek Health System (1,422 employees); and Battle Creek Public Schools (1,411 employees).

Kellogg Company has announced the move of 300 former Keebler employees to the Battle Creek area. The transition of the U.S. Snacks division will create jobs with an average wage of \$68,000 per year.

Based on the 2000 census, there were 58,691 housing units in the County. Of these units, 73% or 42,844 were owner occupied. Renter occupancy amounted to 14,624 units and, of these, 4,591 were vacant. The National Association of Home Builders has ranked the Battle Creek metropolitan area as having one of the most affordable markets in the nation.

Health care services in the County have been rated as being very cost effective and, in 1994, Oaklawn Hospital (Marshall) was judged to be one of the nation's top 100 hospitals based on a comprehensive study.

These favorable local trends are counterbalanced, in large measure, however, by other factors. First, the economic downturn has impacted our fiscal operations. Second is limited growth in property tax revenue. The increase in the assessed value of taxable property in the County has been constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5% or the rate of inflation, whichever is less). The dollar value of this limited increase essentially covers salary and fringe benefits increases, leaving very little for new investment. Furthermore, state cutbacks provide additional challenges in maintaining current services with even less support. Taken together, these fiscal factors create a trend toward evertightening budgets under which the County must operate.

Debt Administration. At December 31, 2004, the County's outstanding direct bonded debt was \$9.1 million, a net decrease of \$2.1 million from the prior year-end. The outstanding balance of short-term general obligation tax notes decreased by \$1.5 million from the prior year.

Cash Management. The County has been consistently conservative in the cash management area. It is the policy of the County Treasurer to invest first for safety and second to maximize the investment earnings. Because only a small portion of the County's portfolio can be covered by FDIC insurance, it is essential to continually evaluate the quality of the instruments purchased and the financial stability of the banks and other financial institutions where investments are placed. Types of investments vary throughout the year depending on the County's cash flow requirements and the condition of the financial markets. Typical investments included demand deposits, government investment pool mutual funds, certificates of deposit, bankers' acceptances and high quality commercial paper.

Risk Management. As permitted by State law, the County is self-insured (up to certain limits) for employee health care, workers' compensation and disability coverage. Employee health care and workers' compensation are subject to excess insurance coverage policies. Third-party administrators are used for the health care, disability for employee bargaining units not in the County self-insured plan and worker's compensation plans. Also, as part of its comprehensive risk management plan, the government participates in a risk management pool with certain other Michigan municipalities for liability coverage. As part of the County's comprehensive risk management plan, resources are accumulated in internal service funds and reserves are on deposit with the Michigan Municipal Risk Management Authority (MMRMA) to meet potential losses. MMRMA, which is a governmental risk pool, provides \$15 million in liability coverage on an occurrence basis with a \$150,000 self-insured retention per liability claim.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Calhoun County, Michigan for its comprehensive annual financial report for the fiscal year ended December 31, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Calhoun County has received a Certificate of Achievement for the last eight consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance and Administration Departments. We would like to express our appreciation to members of those departments who assisted and contributed to the preparation of this report. Due credit also should be given to the Board of Commissioners for its interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Respectfully submitted

Greg Purcell

Controller/Administrator

James E. Latham, CPA

Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Calhoun, Michigan

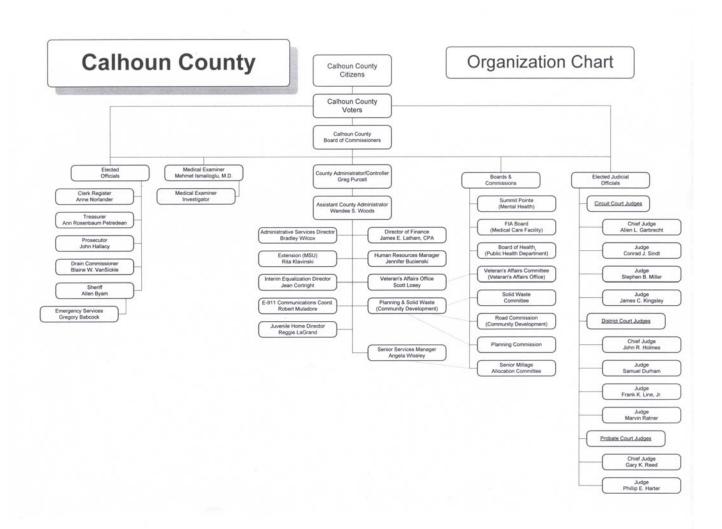
For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

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Maney L. Zielle President

Executive Director



FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

May 3, 2005

The Board of Commissioners County of Calhoun, Michigan Marshall, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *COUNTY OF CALHOUN*, *MICHIGAN*, as of and for the year ended December 31, 2004, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical Care Facility and Delinquent Tax Revolving Funds, which are major funds, and therefore, separate opinion units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical Care Facility and Delinquent Tax Revolving Funds is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Calhoun, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and each major special revenue fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2005, on our consideration of the County of Calhoun, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements taken as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County of Calhoun, Michigan. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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MANAGEMENT'S DISCUSSION and ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Calhoun, Michigan (the "County") we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i—vii of this report, and the accompanying basic financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$62.6 million (*net assets*). Of this amount, \$18.5 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. Governmental activities contain \$3.1 million of the unrestricted net assets. The Medical Care Facility and the Delinquent Tax Revolving Fund contain most of the business-type unrestricted net assets.
- The County's total net assets increased by \$5.1 million during 2004.
- As of the close of the current fiscal year, the County's governmental funds (this includes the general fund, special revenue, permanent, and debt service funds) reported combined ending fund balances of \$9.64 million, an increase of \$3.2 million in comparison with the prior year. Of the fund balance amount, \$9.56 million is available for spending at the government's discretion (unreserved fund balance).
- The general fund had a deficit of \$885,128 for 2004. At the end of the year, unreserved fund balance for the general fund was \$2,281,002, or approximately 7.5 percent of total general fund expenditures. Total fund balance for the general fund was \$2,357,602.
- The County's net investment in capital assets increased by \$970,857 during 2004.
- The County's total bonded debt, excluding delinquent tax notes, decreased by \$2,073,283 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which contain three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacations leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, judicial, public works, health and welfare, and recreation and cultural. The business-type activities of the County include the Medical Care Facility that provides long-term skilled nursing care and the Delinquent Tax Revolving Fund.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Road Commission, a legally separate Board of Public Works, and a legally separate Drain Commission, for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Medical Care Facility, although also legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Health Department Fund, Senior Millage Fund, Revenue Sharing Reserve Fund and the Child Care Fund, which are considered to be major funds. Data from the other 27 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided for all applicable funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-29 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses four enterprise funds to account for its business-type activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its equipment purchases, building and grounds, administrative services, insurance, employee benefits, workers' compensation, and sick and accident expenses. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Medical Care Facility and the Delinquent Tax Revolving Fund, which are considered to be major funds of the County. Data from the other two enterprise funds are combined into a single aggregated presentation. Detailed financial information for each of the nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30-33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-70 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 71-130 of this report.

County-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$62.6 million at the close of the most recent fiscal year. The following schedule shows the County's assets by category.

THE COUNTY'S NET ASSETS

	Governmen	ntal activities	Business-t	ype activities	Total			
	2004	2003	2004	2003	2004	2003		
Current and other assets	\$ 29,386,997	\$ 31,007,033	\$ 26,102,836	\$ 26,866,501	\$ 55,489,833	\$ 57,873,534		
Capital assets	35,643,158	36,080,325	2,368,673	2,667,701	<u>38,011,831</u>	<u>38,748,026</u>		
Total assets	65,030,155	67,087,358	28,471,509	29,534,202	93,501,664	96,621,560		
Long-term liabilities outstanding	10,936,528	12,578,499	450,000	2,000,000	11,386,528	14,578,499		
Other liabilities	17,458,541	22,336,619	2,106,447	2,256,884	<u>19,564,988</u>	24,593,503		
Total liabilities	28,395,069	34,915,118	2,556,447	4,256,884	30,951,516	39,172,002		
Net assets:								
Invested in capital assets, net								
of related debt	26,187,657	24,917,772	2,368,673	2,667,701	28,556,330	27,585,473		
Restricted	7,352,100	3,175,553	8,150,319	8,150,319	15,502,419	11,325,872		
Unrestricted	3,095,329	4,078,915	15,396,070	14,459,298	18,491,399	18,538,213		
Total net assets	<u>\$ 36,635,086</u>	\$ 32,172,240	<u>\$ 25,915,062</u>	\$ 25,277,318	<u>\$ 62,550,148</u>	<u>\$ 57,449,558</u>		

By far, the largest portion of the County's net assets, \$28,556,330 (45.6%), is its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets \$15,502,419 (24.8%) represents resources that are subject to external restrictions on how they may be used. The County's unrestricted net assets are \$18,491,399 (29.6%). These assets may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the 2004 fiscal year, the County is able to report positive balances in all three net asset categories (invested in capital asset-net of related debt, restricted and unrestricted) both for the government as a whole, as well as for its separate governmental and business-type activities.

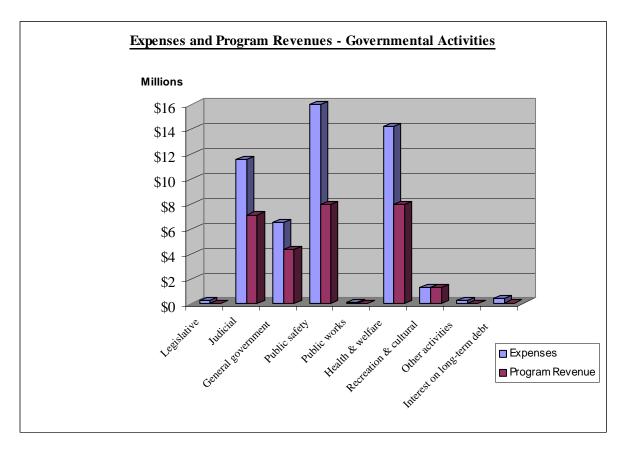
COUNTY'S CHANGES IN NET ASSETS

	Governmen	ital activities	Business-ty	pe activities	Total			
	2004	2003	2004	2003	2004	2003		
Revenue:								
Program revenue:								
Charges for services	\$ 12,280,738	\$ 12,547,015	\$ 10,899,360	\$ 10,540,697	\$ 23,180,098	\$ 23,087,712		
Operating grants and contributions	16,455,320	17,068,133	631,816	442,177	17,087,136	17,510,310		
Capital grants and contributions	31,424	-	-	-	31,424	-		
General revenues:								
Property taxes	25,299,765	19,314,374	786,221	761,311	26,085,986	20,075,685		
Other	686,521	638,028			686,521	638,028		
Total revenue	54,753,768	49,567,550	12,317,397	11,744,185	67,071,165	61,311,735		
Expenses:								
Legislative	230,854	245,482	-	-	230,854	245,482		
Judicial	11,569,900	11,635,598	-	-	11,569,900	11,635,598		
General government	6,532,764	3,837,550	-	-	6,532,764	3,837,550		
Public safety	17,320,180	16,317,111	-	-	17,320,180	16,317,111		
Public works	81,496	86,098	-	-	81,496	86,098		
Health and welfare	14,241,240	13,456,711	-	-	14,241,240	13,456,711		
Recreation and cultural	1,285,261	1,304,732	-	-	1,285,261	1,304,732		
Other governmental	211,442	2,372,566	-	-	211,442	2,372,566		
Interest on long-term debt	416,704	556,947	-	-	416,704	556,947		
Medical Care facility	-	-	9,163,132	9,238,743	9,163,132	9,238,743		
Delinquent tax collections	-	-	238,944	154,424	238,944	154,424		
Other business-type activities		=	672,822	625,353	672,822	625,353		
Total expenses	51,889,841	49,812,795	10,074,898	10,018,520	61,964,739	59,831,315		
Increase (decrease) in net assets								
before transfers	2,863,927	(245,245)	2,242,499	1,725,665	5,106,426	1,480,420		
Transfers	1,604,755	1,112,441	(1,604,755)	(1,112,441)				
Increase in net assets	4,468,682	867,196	637,744	613,224	5,106,426	1,480,420		
Net assets - beginning, as restated	32,166,404	31,305,044	25,277,318	24,664,094	57,443,722	55,969,138		
Net assets - end of year	<u>\$ 36,635,086</u>	\$ 32,172,240	\$ 25,915,062	\$ 25,277,318	\$ 62,550,148	\$ 57,449,558		

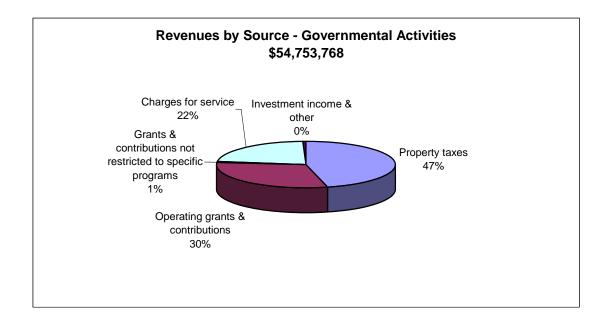
The County's net assets increased by \$5,106,426 during the current fiscal year; \$4,468,682 for governmental activities and \$637,744 for business-type activities.

Governmental activities. The increase in net assets of \$4,468,682 represents 87.5 percent of the total growth in the government's net assets for the current year. Key elements of this increase are as follows:

- Property taxes increased by approximately \$6.0 million (29.9 percent) during the year of which \$5.6 million occurred because of accelerated revenue recognition pursuant to Public Act 357 of 2004 that required the County to establish a restricted fund, the Revenue Sharing Reserve Fund, and place one-third of the County's December 2004 property tax levy in the fund. Ultimately, after December 2006, a total of three annual payments will be placed in the fund to provide a funding mechanism to serve as a substitute for state revenue sharing. The balance of the increase, \$435,000, is the result of increased taxable values and residential growth.
- Operating grants for governmental activities decreased by approximately \$613,000 (3.6%) due to reduced funding from State revenue sharing of over \$1.2 million, which was offset by increased funding of Health Department operations of \$513,000.
- Charges for services decreased by approximately \$266,000 (2.1%) during the year. Significant
 increases in refinancing activity resulting in increased Clerk/Register fees were not enough to
 offset reductions to Circuit and District court fees.
- Grants and contributions not restricted to specific programs increased by \$39,000 (8.7%) accounting for the majority of the increase to other general revenues.

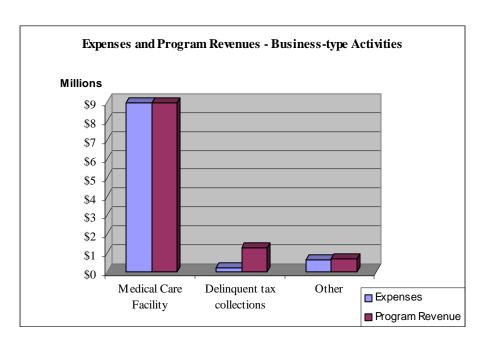


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. 2004 expenditures are 4.2 percent greater than the prior year. The growth in expenses for operations include continuous rising fringe benefit costs, an issue that is outside the County's control and impacts all functions of the County.



Business-type activities. Business-type activities increased the County's net assets by \$637,744, accounting for 12.5 percent of the total growth in the government's net assets for the current year. The key element of the current year increase is as follows:

- The Medical Care Facility contributed \$805,584 to net assets.
- The Delinquent Tax Revolving Fund contributed \$1.2 million to net assets before transfers but had a decrease in net assets of \$254,485 after a \$1.5 million transfer to the General Fund. In prior years, a change in state law increased the interest rate charged on delinquent taxes from 1 percent per month to 1.5 percent per month. In addition, the County enjoyed favorable interest rates in borrowing to redeem delinquent taxes.



Financial Analysis of the County's Funds

As noted earlier, The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$9,644,123, an increase of \$3,195,206 in comparison with the prior year. Of the fund balance amount, \$9,557,864 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,281,002, while total fund balance was \$2,357,602. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 7.5 percent of total general fund expenditures.

The fund balance of the County's General Fund decreased by \$885,128 during the current fiscal year. However, this result is better than predicted since the budget anticipated using \$1,010,542 of the fund balance. This favorable result is due primarily to growth in Clerk/Register fee and Sheriff service fee income.

The Health Department showed a significant increase in activity during 2004 largely due to increases in grant revenues. Revenues increased by \$513,000 or 12.8 percent.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Delinquent Tax Revolving Fund at the end of the year amounted to \$8.7 million. The Medical Care Facility's unrestricted net assets were \$6.4 million. Other factors concerning the finances of the delinquent tax fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Revenues in the general fund (including transfers in) increased by \$501,054 from the original to the final budget. This was primarily attributable to increased revenues (\$326,000) for Sheriff service fees to townships and increased State revenue funding for the courts (\$78,000). Various other small increases and decreases in budgeted revenues, including an increase to appropriation of fund balance (\$44,000) also occurred.

Budgeted expenditures in the general fund (including transfers out) increased by \$543,752 largely to cover retroactive pay in the Sheriff's Office (\$100,000), increased legal fees for Circuit Court – Family (\$138,000) and for increases to transfers to cover Child Care Fund expenses (\$200,000).

The increased revenues were not sufficient to offset the increased expenditures consequently the appropriation of fund balance increased by \$42,698 from \$967,844 to \$1,010,542.

Overall during the year, both general fund revenues and expenditures were less than the final budget.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2004, amounted to \$35,643,158 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. The total decrease in the County's investment in capital assets for the current fiscal year was \$437,167. The County's business-type activities include \$2,368,673 (net of accumulated depreciation).

Major capital asset acquisitions include renovations to County buildings, vehicles and information technology upgrades.

THE COUNTY'S CAPITAL ASSETS (Net of depreciation)

	Governmental activities	Business-type activities	Total
Land	\$ 1,264,276	\$ -	\$ 1,264,276
Buildings and improvements	32,124,689	2,103,753	34,228,442
Equipment and furniture	1,780,956	264,920	2,045,876
Vehicles	473,237		473,237
	\$35,643,158	\$2,368,673	\$38,011,831

Additional information on the County's capital assets can be found in note III.C. on pages 50-52 of this report.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$9,539,270. This entire amount comprises debt backed by the full faith and credit of the County.

THE COUNTY'S OUTSTANDING DEBT General Obligation

	Governmen	ital activities	Business-t	ype activities	Total			
	2004	2003	2004	2003	2004	2003		
General obligation bonds Delinquent tax notes	\$ 9,089,270	\$ 11,162,553	\$ - 450,000	\$ -	\$ 9,089,270 450,000	\$ 11,162,553 2,000,000		
Definquent tax notes	\$ 9.089.270	\$ 11,162,553	\$ 450,000	\$ 2,000,000	\$ 9.539.270	\$ 13,162,553		

The County's total bonded debt decreased by \$3,623,283 during the current fiscal year. The County retired debt of \$2,073,283 in general obligation bonds and \$1,550,000 in delinquent tax notes during 2004.

The County has an "A" rating for both general obligation bonds and tax notes from Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). The current debt limitation for the County is \$395,397,056, which is significantly in excess of the County's outstanding general obligation debt. Additional information on the County's long-term debt can be found in note III.G. on pages 55-59 of this report.

Economic Factors and Next Year's Budgets

In order to maintain financial stability over the long term, the budgeting practice in the County is to not only adopt a balanced budget as required by law, but to manage its budget in a manner such that actual expenses do not exceed actual revenues on an annual basis. Over the past 10 years, revenues have exceeded expenses 6 times and expenses have exceeded revenues 4 times. Over the 10-year period, the General Fund – fund balance has increased by a little over \$1.2 million, allowing the County Board to address difficult economic times without resorting to a crisis-management approach. It has permitted the County to utilize its annual budget process as the primary vehicle to make decisions on the type and level of County services to be provided. When unexpected revenue losses or expenditure increases occur during the year, they are generally addressed through short-term expenditure reductions such as reductions to controllable expenses, hiring delays, and deferrals of capital expenditures.

The following factors were considered in preparing the County's budget for the 2005 fiscal year:

- The economic downturn, stock market decline and flat housing sales have impacted fiscal operations. The rate of increase in taxable value of real and personal property in the County is increasing by less than 3 percent per year, whereas historically this rate has been as high as 6 to 8 percent. We anticipate that this trend will continue into the foreseeable future.
- Interest rates have been at a fairly low level over the past few years. The 2005 budget assumes no increase in interest earnings.
- Insurance premiums, especially for governmental entities, have dramatically increased due to the extensive settlement payments related to September 11th and the subsequent stock market performance. The County anticipates increases of close to 16 percent in liability costs for the year. A related increase is a national trend in escalating healthcare insurance costs. Many national projections point to a doubling of health care costs over the next four to five years. The County anticipates an increase of over 10 percent.
- Michigan has two constitutional laws that limit property tax growth to the rate of inflation or a maximum allowable increase in an assessment of 5.0%, whichever is smaller. For the 2004 budget the applicable inflation rate is only 1.5%. Therefore, property tax revenues are budgeted to increase 3.75% in 2005 and 2.9% in 2006.
- The State of Michigan has been dealing with projected budgetary shortfalls for the past two years, which are projected to continue into the future. The State has passed legislation that provides a funding mechanism to serve as a substitute for state revenue sharing payments. Annually, the County may make use of amounts equal to the 2003-04 State revenue sharing payments adjusted for inflation.
- The County has committed to maintaining a general fund balance that is at least 8.0% of operating expenditures.
- Inflationary trends in the region compare favorably to national indices.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The County Finance Department, 315 West Green Street, Marshall, Michigan 49068.

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



Statement of Net Assets December 31, 2004

	Primary Government									
	Governmental			usiness-type			(Component		
		Activities		Activities		Total		Units		
Assets										
Cash and cash equivalents	\$	6,332,489	\$	10,884,529	\$	17,217,018	\$	2,131,245		
Investments		36,671		7,837,432		7,874,103		-		
Receivables, net		23,011,035		7,123,149		30,134,184		17,011,231		
Internal balances		(119,908)		120,401		493		-		
Prepaid items and other assets		126,710		137,325		264,035		902,630		
Capital assets not being depreciated		1,264,276		-		1,264,276		21,483,686		
Capital assets being depreciated, net		34,378,882		2,368,673		36,747,555		24,058,256		
Total assets		65,030,155		28,471,509		93,501,664		65,587,048		
Liabilities										
Accounts payable and accrued expenses		3,777,601		1,215,756		4,993,357		2,130,001		
Unearned revenue		13,680,940		890,691		14,571,631		80,460		
Long-term liabilities:										
Due within one year		2,146,134		450,000		2,596,134		1,909,809		
Due in more than one year		8,790,394		-		8,790,394		16,464,942		
Total liabilities		28,395,069		2,556,447		30,951,516		20,585,212		
Net assets										
Invested in capital assets, net of related debt Restricted for:		26,187,657		2,368,673		28,556,330		40,522,191		
Debt service		12,167		-		12,167		-		
State revenue sharing		4,249,508		-		4,249,508		-		
Programs		3,090,425		8,150,319		11,240,744		-		
Unrestricted		3,095,329		15,396,070		18,491,399		4,479,645		
Total net assets	\$	36,635,086	\$	25,915,062	\$	62,550,148	\$	45,001,836		

The accompanying notes are an integral part of these financial statements.

Statement of Activities For the Year Ended December 31, 2004

]						
						Operating		Capital		
				Charges	(Grants and	G	Frants and	Net (Expense)	
Functions/Programs		Expenses	for Services		C	ontributions	Co	ontributions		Revenue
Primary government										
Governmental activities:										
Legislative	\$	230,854	\$	-	\$	-	\$	-	\$	(230,854)
Judicial		11,569,900		3,971,477		3,113,144		31,424		(4,453,855)
General government		6,532,765		1,608,462		2,756,814		-		(2,167,489)
Public safety		17,320,180		5,462,496		2,492,714		-		(9,364,970)
Public works		81,496		-		_		-		(81,496)
Health and welfare		14,241,240		799,523		7,190,378		-		(6,251,339)
Recreation and cultural		1,285,261		438,780		869,512		-		23,031
Other governmental activities		211,442		-		600		-		(210,842)
Interest on long-term debt		416,703		-		32,158		-		(384,545)
Total governmental activities		51,889,841		12,280,738		16,455,320		31,424		(23,122,359)
Business-type activities:										
Medical Care Facility		9,163,132		8,883,836		453,659		-		174,363
Delinquent tax collections/forfeitures		238,944		1,306,302		178,157		-		1,245,515
Other business-type activities		672,822		709,222		_		-		36,400
Total business-type activities	_	10,074,898		10,899,360		631,816		-		1,456,278
Total primary covernment	¢	61 064 720	¢	22 190 009	\$	17 007 126	\$	21 424	¢	(21 666 091)
Total primary government	<u> </u>	61,964,739	\$	23,180,098	Ф	17,087,136	Þ	31,424	\$	(21,666,081)
Component units										
County Drains	\$	254,497	\$	-	\$	177,725	\$	884,652	\$	807,880
County Roads		13,210,818		3,068,849		10,160,858		665,781		684,670
Board of Public Works		1,542,583		73,725		1,566,350				97,492
Total component units	\$	15,007,898	\$	3,142,574	\$	11,904,933	\$	1,550,433	\$	1,590,042

continued...

Statement of Activities (Concluded) For the Year Ended December 31, 2004

		Pr							
	G	Governmental Business-type					Component		
Functions/Programs	Activities			Activities		Total		Units	
Changes in net assets									
Net (expense) revenue	\$	(23,122,359)	\$	1,456,278	\$	(21,666,081)	\$	1,590,042	
General revenues:	•	(- , , , ,		,,	·	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	·	,,-	
Property taxes		25,299,765		786,221		26,085,986		-	
Grants and contributions not restricted									
to specific programs		486,212		-		486,212		-	
Unrestricted investment earnings		200,159		-		200,159		13,167	
Gain on sale of capital assets		150		-		150		-	
Transfers - internal activities		1,604,755		(1,604,755)					
Total general revenues, contributions									
and transfers		27,591,041		(818,534)		26,772,507		13,167	
Change in net assets		4,468,682		637,744		5,106,426		1,603,209	
Net assets, beginning of year, as restated		32,166,404		25,277,318		57,443,722		43,398,627	
Net assets, end of year	\$	36,635,086	\$	25,915,062	\$	62,550,148	\$	45,001,836	

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS



Balance Sheet Governmental Funds December 31, 2004

	,	General Fund	De	Health epartment	Senior Millage	Revenue Sharing Reserve	Child Care	Go	Other vernmental Funds	Total
<u>ASSETS</u>										
Assets										
Cash and cash equivalents	\$	434,770	\$	127,888	\$ 1,124,918	\$ -	\$ -	\$	1,713,317	\$ 3,400,893
Investments		-		-	-	-	-		36,671	36,671
Receivables:		412.056		250 245					105.150	050 500
Accounts		413,076		270,247	2 200 450	-	-		175,457	858,780
Current taxes Delinquent taxes		15,607,815 260,717		_	2,280,458 48,120	-	_		10,195 33,056	17,898,468 341,893
Accrued interest		1,039		-	46,120	_	_		2,026	3,065
Due from other governments		1,449,548		108,766	_	_	576,321		1,695,395	3,830,030
Due from other funds		2,391		493	_	4,249,508	-		1,594	4,253,986
Due from component unit		-,		-	-	-	_		-,-,-	-
Interfund receivable		1,055,781		-	-	-	-		-	1,055,781
Advances to component units		76,600		-	-	-	-		-	76,600
Prepaid items		-		992	-	-	-		8,667	9,659
TOTAL ASSETS	\$	19,301,737	\$	508,386	\$ 3,453,496	\$ 4,249,508	\$ 576,321	\$	3,676,378	\$ 31,765,826
LIABILITIES AND FUND BALANCES										
Liabilities							.=			
Accounts payable	\$	489,630	\$	236,762	\$ 385,503	\$ -	\$ 173,436	\$	344,053	\$ 1,629,384
Accrued payroll		514,520		- 52.700	2,209	-	42,254		81,338	640,321
Due to other governments Due to component units		285,069		53,799	-	-	-		115,000 76,590	453,868 76,590
Due to other funds		4,249,508		_	_	_	_		3,985	4,253,493
Interfund payables		-,247,300		_	_	_	313,260		742,521	1,055,781
Deferred revenue		11,405,408		37,025	2,485,943	-			83,890	14,012,266
Total liabilities		16,944,135		327,586	2,873,655	-	528,950		1,447,377	22,121,703
Fund balances										
Reserved for advances and prepaid items		76,600		992	_	_	_		8,667	86,259
Unreserved:		70,000		//2					0,007	00,237
Designated for next year expenditures		15,400		-	-	_	_		_	15,400
Designated for future years expenditures		343,200		-	-	_	_		_	343,200
Undesignated		1,922,402		179,808	579,841	4,249,508	47,371		-	6,978,930
Undesignated, reported in nonmajor:										
Special revenue funds		-		-	-	-	-		2,170,165	2,170,165
Debt service funds		-		-	-	-	-		12,167	12,167
Permanent funds		-			-	-			38,002	38,002
Total fund balances		2,357,602		180,800	579,841	4,249,508	47,371		2,229,001	9,644,123
TOTAL LIABILITIES AND FUND BALANCES	\$	19,301,737	\$	508,386	\$ 3,453,496	\$ 4,249,508	\$ 576,321	\$	3,676,378	\$ 31,765,826

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets December 31, 2004

Fund balances - total governmental funds	\$ 9,644,123
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not	
reported in the funds.	1041074
Add: capital assets not being depreciated	1,264,276
Add: capital assets being depreciated	54,790,005
Subtract: accumulated depreciation	(23,027,106)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.	
Add: deferred property taxes	331,326
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. Add: net assets of governmental activities accounted for in internal service funds	4,347,845
Certain liabilities, such as bonds and capital leases payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Subtract: bonds and capital leases payable, long-term portion	(8,519,763)
Subtract: bonds and capital leases payable, current portion	(624,219)
Subtract: compensated absences	(1,481,027)
Subtract: accrued interest on long-term liabilities	 (90,374)
Net assets of governmental activities	\$ 36,635,086

Statement of Revenue, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended December 31, 2004

	General Fund		Health partment	Senior Millage	Revenue Sharing Reserve	Child Care	Go	Other overnmental Funds	Total
Revenue									
Taxes and special assessments	\$ 15,585,141		342,178	\$ 2,336,634	\$ 5,575,518	\$ -	\$	1,720,105	\$ 25,559,576
Licenses and permits	84,729		3,490,167	-	-	-		16,790	3,591,686
Intergovernmental	4,323,001		262,195	-	-	2,581,814		4,722,111	11,889,121
Charges for services	9,887,270		-	-	-	142,784		632,369	10,662,423
Fines and forfeitures	800,899		-	-	-	-		9,970	810,869
Interest and rents	199,462		438,632	17,385	-	-		19,364	674,843
Other	603,932		-	8,276	-	-		869,978	1,482,186
Total revenue	31,484,434		4,533,172	2,362,295	5,575,518	2,724,598		7,990,687	54,670,704
Expenditures									
Current:									
Legislative	187,300		-	-	-	-		-	187,300
Judicial	7,880,352		-	-	-	-		3,012,586	10,892,938
General government	5,999,219		-	-	-	-		-	5,999,219
Public safety	12,677,734		-	-	-	-		2,906,634	15,584,368
Public works	81,496		-	-	-	-		-	81,496
Health and welfare	885,481		5,203,545	2,195,854	-	5,419,221		694,595	14,398,696
Recreation and cultural	-		-	-	-	-		1,104,299	1,104,299
Other	2,406,961		-	-	-	-		130,462	2,537,423
Debt service:					-				
Principal	-		12,288	-	-	-		2,073,283	2,085,571
Interest and fiscal charges	-		1,332	-	-	-		421,653	422,985
Capital outlay	223,758		144,997	2,037	-	24,335		300,338	695,465
Total expenditures	30,342,301	:	5,362,162	2,197,891		5,443,556		10,643,850	53,989,760
Revenue over (under) expenditures	1,142,133		(828,990)	164,404	5,575,518	(2,718,958)		(2,653,163)	680,944
Other financing sources (uses)									
Capital lease proceeds	-		67,000	-	-	-		-	67,000
Transfers in	3,978,007		835,275	-	-	2,766,329		2,538,257	10,117,868
Transfers (out)	(6,005,268)		(150,000)	(9,000)	(1,326,010)	-		(180,328)	(7,670,606)
Total other financing sources (uses)	(2,027,261)		752,275	(9,000)	(1,326,010)	2,766,329		2,357,929	2,514,262
Net change in fund balances	(885,128)		(76,715)	155,404	4,249,508	47,371		(295,234)	3,195,206
Fund balances, beginning of year, as restated	3,242,730		257,515	424,437	-	-		2,524,235	6,448,917
Fund balances, end of year	\$ 2,357,602	\$	180,800	\$ 579,841	\$ 4,249,508	\$ 47,371	\$	2,229,001	\$ 9,644,123

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

of Governmental Funds to the Statement of Activity For the Year Ended December 31, 2004

Net change in fund balances - total governmental funds	\$ 3,195,206
Amounts reported for governmental activities in the statement of activities are different	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported	
as depreciation expense.	605.465
Add: capital outlay Subtract: depreciation expense	695,465 (1,322,940)
Subtract: depreciation expense	(1,322,940)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Add: change in deferred property taxes and special assessments	82,367
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term-liabilities.	
Subtract: proceeds from capital leases	(67,000)
Add: principal payments on long-term liabilities	2,085,571
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
intalicial resources and therefore are not reported as expenditures in governmental rands.	
Add: change in accrued interest on bonds	6,282
Subtract: increase in the accrual of compensated absences	(65,082)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities:	
Add: interest revenue from governmental internal service funds	697
Add: net operating income from governmental activities accounted for in internal service	071
funds	700,623
Subtract: internal activities (transfers) accounted for in internal service funds	 (842,507)
Change in net assets of governmental activities	\$ 4,468,682

Statement of Revenue, Expenditures, and

Changes in Fund Balance - Budget and Actual

General Fund

For the Year Ended December 31, 2004

(With Comparative Actual Amounts for the Year Ended December 31, 2003)

	Original Amended			Over (Under)				
		Budget	Budget		Actual	Budget		2003
Revenue								
Taxes:								
Property taxes	\$	15,363,274	\$ 15,363,274	\$	15,086,327	\$ (276,947)	\$	14,797,827
Industrial/commercial facilities tax		299,806	299,806		451,273	151,467		398,602
Payment in lieu of taxes		22,000	22,000		24,183	2,183		23,749
Trailer fees		15,500	15,500		15,924	424		16,333
Interest and fees		5,000	5,000		7,434	2,434		16,634
Total taxes	_	15,705,580	15,705,580		15,585,141	(120,439)		15,253,145
Licenses and permits:								
Dog licenses		70,000	69,680		61,609	(8,071)		60,255
Concealed weapons licenses		4,000	4,000		17,420	13,420		6,801
Marriage licenses		5,500	5,500		5,700	200		5,530
Total licenses and permits		79,500	79,180		84,729	5,549		72,586
Intergovernmental:								
Emergency services		30,000	30,000		29,761	(239)		31,400
Circuit judges' salary		182,900	182,900		182,896	(4)		182,896
District judges' salary		182,900	182,900		182,896	(4)		182,896
Probate judges' salary		293,500	293,500		294,748	1,248		294,565
Sheriff		-	20,042		20,042	-		4,571
Juvenile officer grant		52,775	52,775		52,776	1		52,776
Marine safety		33,301	33,301		26,870	(6,431)		25,316
Liquor law enforcement		9,200	9,200		9,107	(93)		8,945
Liquor taxes		552,600	561,369		570,138	8,769		549,174
Cigarette taxes		66,600	79,355		79,355	-		24,407
Income and sales taxes		2,098,154	817,144		817,242	98		2,241,665
Single business tax		427,385	427,385		421,193	(6,192)		468,523
Court equity program		1,107,196	1,185,251		1,185,609	358		1,104,392
ADC incentive		340,000	340,000		292,462	(47,538)		270,000
Juror fee reimbursement		161,350	100,829		106,482	5,653		-
Interactive video project		-	31,425		31,424	(1)		-
Medical support program		-	20,000		20,000	-		-
Total intergovernmental		5,537,861	4,367,376		4,323,001	(44,375)		5,441,526
Charges for services:								
Circuit court fees		513,750	513,540		442,960	(70,580)		406,320
District court fees		2,341,000	2,341,000		2,288,440	(52,560)		2,228,111
Friend of the court fees		455,428	455,428		310,151	(145,277)		354,669
Probate court fees		63,250	63,200		61,717	(1,483)		57,627
Public defender fees		110,000	110,000		79,936	(30,064)		72,940
Election fees		9,800	10,503		10,503	-		2,953
Clerk/register fees		1,050,000	1,066,974		1,321,841	254,867		1,537,554
Prosecuting attorney fees		74,214	74,214		54,498	(19,716)		61,040
Equalization fees		4,700	7,494		7,494	-		6,357
Treasurer fees		6,500	6,500		9,080	2,580		7,581
Survey and remonumentation		17,000	19,431		20,593	1,162		17,403
Sheriff service fees		4,933,898	5,241,143		5,266,420	25,277		5,263,824
Cooperative extension fees		13,637	13,637		13,637	-		17,203
Total charges for services		9,593,177	9,923,064		9,887,270	(35,794)	-	10,033,582
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Statement of Revenue, Expenditures, and

$Changes\ in\ Fund\ Balance\ \textbf{-}\ Budget\ and\ Actual\ (Continued)$

General Fund

For the Year Ended December 31, 2004

(With Comparative Actual Amounts for the Year Ended December 31, 2003)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2003
Revenue (continued)	Duuget	Buager	Actual	Duuget	2003
Fines and forfeitures:					
Bond forfeitures	\$ 140,000	\$ 140,000	\$ 102,033	\$ (37,967)	\$ 128,210
Ordinance fines and costs	820,000	820,000	698,866	(121,134)	767,634
Total fines and forfeitures	960,000	960,000	800,899	(159,101)	895,844
Interest and rents:					
Interest on investments	185,000	185,000	199,462	14,462	179,922
Other:					
Vending commissions	2,110	1,825	506	(1,319)	5,234
Sale of equipment	5,000	5,000	150	(4,850)	10,148
Miscellaneous	666,380	679,630	603,276	(76,354)	610,512
Total other	673,490	686,455	603,932	(82,523)	625,894
Total revenue	32,734,608	31,906,655	31,484,434	(422,221)	32,502,499
Expenditures					
Legislative:					
Board of commissioners	208,519	187,579	187,300	(279)	195,403
Judicial:					
Circuit court	873,044		821,808	(50,086)	797,595
Circuit court - family	1,243,882	1,225,531	1,224,676	(855)	1,178,495
Indigent public defender	1,800,350	1,863,750	1,863,748	(2)	1,628,629
District court	3,165,225	3,158,213	3,022,689	(135,524)	2,922,405
Probate court	805,751	770,754	770,804	50	753,707
Circuit court probation	45,528	45,528	34,932	(10,596)	32,891
Court services	219,136	143,854	141,695	(2,159)	204,602
Total judicial	8,152,916	8,079,524	7,880,352	(199,172)	7,518,324
General government:					
Elections	159,708	177,385	177,383	(2)	67,293
Civil counsel	8,776	8,776	6,136	(2,640)	6,491
Clerk of the circuit court	472,791	472,791	465,293	(7,498)	434,114
Clerk/register	616,171	616,171	579,685	(36,486)	597,910
Administrator	316,449	316,449	302,368	(14,081)	299,421
Finance	441,745	442,437	441,343	(1,094)	412,974
Equalization	280,438	296,545	296,545	-	235,871
Personnel	254,343	200,543	198,273	(2,270)	218,351
Purchasing	52,707	55,060	55,060	-	53,803
Prosecuting attorney	2,403,656	2,403,656	2,226,471	(177,185)	2,109,433
Treasurer	506,875		496,812	(13,060)	470,083
Cooperative extension	181,504		171,392	(10,112)	171,807

Statement of Revenue, Expenditures, and

$Changes\ in\ Fund\ Balance\ \textbf{-}\ Budget\ and\ Actual\ (Continued)$

General Fund

For the Year Ended December 31, 2004

(With Comparative Actual Amounts for the Year Ended December 31, 2003)

		Original Budget		Amended Budget		Actual		Over (Under) Budget		2003
Expenditures (continued)		Dauger		Dauger		rictuur		Dauger		2002
General government (concluded):										
Drain commissioner	\$	194,090	\$	196,250	\$	196,249	\$	(1)	\$	186,486
Administrative services	Ψ	171,848	Ψ	146,714	Ψ	145,377	Ψ	(1,337)	Ψ	156,321
Planning department		115,000		115,000		125,000		10,000		108,510
Emergency services		88,358		98,908		98,906		(2)		90,184
Soil conservation district		12,500		12,500		12,500		(2)		12,500
Homer lake mgmt assessment		4,000		4,000		3,926		(74)		3,926
Potawatomi RC&D		500		500		500		(/4)		500
Totawatomi Receb		300		300		300				300
Total general government		6,281,459		6,255,061		5,999,219		(255,842)		5,635,978
Public safety:										
Sheriff - administration		678,602		678,602		642,057		(36,545)		641,222
Support service		388,144		388,144		363,881		(24,263)		347,158
Detective division		75,024		75,024		73,884		(1,140)		73,111
Road patrol		1,011,535		1,072,424		1,078,386		5,962		996,000
Tekonsha contract		64,246		64,246		55,358		(8,888)		62,165
Pennfield contract		_		392,363		393,808		1,445		
Traffic safety		347,406		352,760		356,871		4,111		293,325
Sheriff training		99,714		102,081		102,081		, -		102,939
Convis Township contract		69,669		69,669		65,416		(4,253)		70,765
Civil process		95,647		96,312		92,430		(3,882)		86,467
COPS/DARE		40,133		45,517		46,342		825		49,759
Cold crime unit		66,274		66,274		61,529		(4,745)		71,755
Marine safety		54,828		54,828		40,907		(13,921)		36,415
Work program		112,346		112,467		113,828		1,361		107,191
Corrections/jail		8,955,150		8,802,688		8,823,595		20,907		8,465,543
Community corrections - administration		233,937		233,937		203,222		(30,715)		219,917
Drug enforcement		42,388		42,388		41,829		(559)		40,449
Animal control		126,921		126,921		122,310		(4,611)		116,933
Total public safety		12,461,964		12,776,645		12,677,734		(98,911)		11,781,114
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Public works:										
Drain assessments		81,225		81,496		81,496		-		82,318
Board of public works		3,780		3,780		-		(3,780)		3,780
Total public works		85,005		85,276		81,496		(3,780)		86,098
Health and welfare:										
Substance abuse		276,300		285,069		285,069		_		274,587
Mental health		265,000		265,000		265,000		-		265,000
Medical examiner		182,000		182,000		161,435		(20,565)		173,983
Veteran's burials		66,000		66,000		48,375		(17,625)		60,450
Veteran's services		127,068		127,068		125,602		(1,466)		120,520
Total health and welfare		916,368		925,137		885,481		(39,656)		894,540

Statement of Revenue, Expenditures, and

Changes in Fund Balance - Budget and Actual (Concluded)

General Fund

For the Year Ended December 31, 2004

(With Comparative Actual Amounts for the Year Ended December 31, 2003)

Expenditures (concluded)	Original Budget	Amended Budget	Actual	Over (Under) Budget	2003
Expenditures (concluded)	 	<u> </u>			'
Other - intergovernmental services	\$ 2,360,353	\$ 2,406,961	\$ 2,406,961	\$ 	\$ 2,371,940
Capital outlay	 171,120	224,181	223,758	(423)	 153,947
Total expenditures	 30,637,704	30,940,364	30,342,301	(598,063)	28,637,344
Revenue over (under) expenditures	2,096,904	966,291	1,142,133	175,842	3,865,155
Other financing sources (uses)					
Transfers in	2,749,000	4,078,007	3,978,007	(100,000)	1,214,485
Transfers out	 (5,813,748)	(6,054,840)	(6,005,268)	49,572	 (5,492,367)
Total other financing uses	 (3,064,748)	(1,976,833)	(2,027,261)	(50,428)	 (4,277,882)
Net change in fund balance	(967,844)	(1,010,542)	(885,128)	125,414	(412,727)
Fund balance, beginning of year	 3,242,730	3,242,730	3,242,730		 3,661,293
Fund balance, end of year	\$ 2,274,886	\$ 2,232,188	\$ 2,357,602	\$ 125,414	\$ 3,248,566

Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual Health Department

For the Year Ended September 30, 2004

(With Comparative Actual Amounts for the Year Ended September 30, 2003)

	Original	Amended		Over (Under)	
	Budget	Budget	Actual	Budget	2003
Revenue					
Licenses and permits	\$ 420,427	\$ 421,232 \$	342,178 \$	(79,054)	\$ 309,478
Intergovernmental	2,966,966	3,556,530	3,490,167	(66,363)	3,091,207
Charges for services	216,394	205,512	262,195	56,683	221,258
Other	460,664	472,479	438,632	(33,847)	397,971
Total revenue	4,064,451	4,655,753	4,533,172	(122,581)	4,019,914
Expenditures					
Current:					
Health and welfare	4,965,416	5,371,485	5,203,545	(167,940)	4,737,468
Debt service:					
Principal	-	-	12,288	12,288	-
Interest and fiscal charges	-	-	1,332	1,332	-
Capital outlay	61,276	123,809	144,997	21,188	112,045
Total expenditures	5,026,692	5,495,294	5,362,162	(133,132)	4,849,513
Revenue over (under) expenditures	(962,241)	(839,541)	(828,990)	10,551	(829,599)
Other financing sources (uses)					
Capital lease proceeds	-	-	67,000	67,000	-
Transfers in	829,960	826,260	835,275	9,015	779,260
Transfers (out)	-	(150,000)	(150,000)		
Total other financing sources (uses)	829,960	676,260	752,275	76,015	779,260
Net change in fund balance	(132,281)	(163,281)	(76,715)	86,566	(50,339)
Fund balance, beginning of year	257,515	257,515	257,515		307,854
Fund balance, end of year	\$ 125,234	\$ 94,234 \$	\$ 180,800 \$	86,566	\$ 257,515

Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual Senior Millage

For the Year Ended December 31, 2004 (With Comparative Actual Amounts for the Year Ended December 31, 2003)

				Over			
	Original	Amended		(Under)			
	Budget	Budget	Actual	Budget	2003		
Revenue							
Taxes	\$ 2,287,702	\$ 2,287,702 \$	2,336,634 \$	48,932	\$ 2,281,193		
Interest and rentals	-	-	17,385	17,385	13,629		
Other		-	8,276	8,276	3,060		
Total revenue	2,287,702	2,287,702	2,362,295	74,593	2,297,882		
Expenditures							
Current:							
Health and welfare	2,384,485	2,433,326	2,195,854	(237,472)	2,270,163		
Capital outlay		2,200	2,037	(163)			
Total expenditures	2,384,485	2,435,526	2,197,891	(237,635)	2,270,163		
Revenue over (under) expenditures	(96,783)	(147,824)	164,404	312,228	27,719		
Other financing sources (uses)							
Transfers (out)	(9,000)	(9,000)	(9,000)		(13,500)		
Net change in fund balance	(105,783)	(156,824)	155,404	312,228	14,219		
Fund balance, beginning of year	424,437	424,437	424,437		410,218		
Fund balance, end of year	\$ 318,654	\$ 267,613 \$	579,841 \$	312,228	\$ 424,437		

Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual

Revenue Sharing Reserve For the Year Ended December 31, 2004

(With Comparative Actual Amounts for the Year Ended December 31, 2003)

	Orig		Amended		Over (Under)		
	Bud	get	Budget	Actual	Budget	<u> </u>	2003
Revenue Taxes	\$	- \$	1,326,010	\$ 5,575,518	\$ 4,249,508	\$	-
Other financing sources (uses) Transfers (out)		_	(1,326,010)	(1,326,010)	-		
Net change in fund balance		-	-	4,249,508	4,249,508		-
Fund balance, beginning of year		-	-	-	-		
Fund balance, end of year	\$	- \$	-	\$ 4,249,508	\$ 4,249,508	\$	-

Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual Child Care

For the Year Ended December 31, 2004 (With Comparative Actual Amounts for the Year Ended December 31, 2003)

				Over			
	Original	Amended	A -41		(Under)		2002
	 Budget	Budget	Actual		Budget	-	2003
Revenue							
Intergovernmental	\$ 2,316,003	\$ 2,506,467	\$ 2,581,814	\$	75,347	\$	2,248,055
Charges for services	 192,700	257,735	142,784		(114,951)		179,670
Total revenue	 2,508,703	2,764,202	2,724,598		(39,604)		2,427,725
Expenditures							
Current:							
Health and welfare	4,984,344	5,460,824	5,419,221		(41,603)		4,693,830
Capital outlay	 35,000	69,807	24,335		(45,472)		47,741
Total expenditures	 5,019,344	5,530,631	5,443,556		(87,075)		4,741,571
Revenue over (under) expenditures	(2,510,641)	(2,766,429)	(2,718,958)		47,471		(2,313,846)
Other financing sources							
Transfers in	 2,510,641	2,752,057	2,766,329		14,272		2,263,844
Net change in fund balances	-	(14,372)	47,371		61,743		(50,002)
Fund balance, beginning of year	 _	-	-				50,002
Fund balance (deficit), end of year	\$ -	\$ (14,372)	\$ 47,371	\$	61,743	\$	_

Statement of Net Assets Proprietary Funds December 31, 2004

	Business-type Activities							Government		
		Medical Care Facility	Tax 1	linquent Revolving Fund		Other Enterprise Funds		Total		Activities- Internal rvice Funds
Assets										
Current assets:										
Cash and cash equivalents	\$	1,761,931	\$	3,884,472	\$	316,365	\$	5,962,768	\$	2,931,596
Restricted cash and cash equivalents		4,921,761		_		-		4,921,761		-
Investments		-		7,837,432		-		7,837,432		-
Receivables:										
Accounts, net		812,206		_		164		812,370		2,199
Property taxes		700,323		_		_		700,323		-
Property taxes-delinquent		_		4,567,653		_		4,567,653		_
Accrued interest		_		1,042,803		_		1,042,803		_
Advances to other funds		_		120,401		_		120,401		_
Inventory		_		-		_		120,101		20,704
Prepaid items		137,325		_		_		137,325		96,347
Total current assets		8,333,546	1	17,452,761		316,529		26,102,836		3,050,846
Capital assets, net		2,324,255		38,432		5,986		2,368,673		2,615,983
Total assets		10,657,801	1	17,491,193		322,515		28,471,509		5,666,829
Liabilities Current liabilities:										
Accounts payable		134,704		-		40,116		174,820		188,115
Accrued payroll		251,917		54,951		901		307,769		15,487
Tax notes payable		-		450,000		-		450,000		-
Claims payable		-		-		-		-		683,462
Other accrued liabilities		576,850		-		-		576,850		-
Due to other governments		-		144,805		-		144,805		-
Due to individuals		11,512		-		-		11,512		-
Advance from other funds		-		-		-		-		120,401
Deferred revenue		890,691		-		-		890,691		-
Current portion of capital leases payable		-		-		-		-		40,888
Total current liabilities		1,865,674		649,756		41,017		2,556,447		1,048,353
Long-term liabilities:										
Capital leases payable		-		-		-				270,631
Total liabilities		1,865,674		649,756		41,017		2,556,447		1,318,984
Net assets										
Invested in capital assets		2,324,255		38,432		5,986		2,368,673		2,615,983
Restricted		41,225		8,109,094		-		8,150,319		-
Unrestricted		6,426,647		8,693,911		275,512		15,396,070		1,731,862
Total net assets	\$	8,792,127	\$ 1	16,841,437	\$	281,498	\$	25,915,062	\$	4,347,845

Statement of Revenue, Expenses and Changes in Fund Net Assets Proprietary Funds

For the Year Ended December 31, 2004

		Governmental			
	Medical Care Facility	Delinquent Tax Revolving Fund	Other Enterprise Funds	Total	Activities- Internal Service Funds
Operating revenue					
Charges for services	\$ 8,883,836	5 \$ -	\$ 709,222	\$ 9,593,058	\$ 9,640,181
Interest and administrative fees on taxes	Ψ 0,002,03	- 478,658	ψ /0 <i>)</i> ,222	478,658	φ
Interest revenue		- 827,644	_	827,644	_
Other revenue	377,137		_	377,137	17,162
Total operating revenue	9,260,973		709,222	11,276,497	9,657,343
Operating expenses					
Personnel services / administration	5,514,884	172,948	44,488	5,732,320	164,550
Cost of services	2,22,,00		-	-	8,401,370
Interest and fiscal charges		- 48,860	_	48,860	-
Depreciation	368,759		2,373	388,268	390,800
Other	3,279,489		625,961	3,905,450	-
Total operating expenses	9,163,132		672,822	10,074,898	8,956,720
Operating income (loss)	97,84	1,067,358	36,400	1,201,599	700,623
Non-operating revenue					
Taxes	786,22	1 -	-	786,221	-
Interest revenue	76,522	2 178,157	-	254,679	697
Total non-operating revenue	862,743	3 178,157	-	1,040,900	697
Income (loss) before transfers	960,584	1,245,515	36,400	2,242,499	701,320
Transfers					
Transfers in			50,245	50,245	86,200
Transfers (out)	(155,000	(1,500,000)	-	(1,655,000)	(928,707)
Total transfers	(155,000	(1,500,000)	50,245	(1,604,755)	(842,507)
Change in fund net assets	805,584	4 (254,485)	86,645	637,744	(141,187)
Net assets, beginning of year	7,986,543	3 17,095,922	194,853	25,277,318	4,489,032
Net assets, end of year	\$ 8,792,12	7 \$ 16,841,437	\$ 281,498	\$ 25,915,062	\$ 4,347,845

Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2004

	Business-type Activities								Governmental	
		Medical	Γ	Delinquent -		Other		A	Activities-	
		Care	Ta	x Revolving		Enterprise			Internal	
		Facility		Fund		Funds	Total	Sei	rvice Funds	
Cash flows from operating activities										
Cash received from customers	\$	9,180,760	\$	1,929,224	\$	709,115 \$	11,819,099	\$	_	
Cash received from interfund services		-		-		-	-		9,729,150	
Cash payments to suppliers		(8,714,977)		(398,859)		(677,945)	(9,791,781)		(7,949,777)	
Cash payments to employees		<u>-</u>		-		(36,274)	(36,274)		(538,470)	
Net cash provided by (used in)										
operating activities		465,783		1,530,365		(5,104)	1,991,044		1,240,903	
Cash flows from non-capital financing activitie	es.									
Property taxes		768,494		-		-	768,494		-	
Transfers in		- (4.5.5.000)		- (4. 700.000)		50,245	50,245		86,200	
Transfers (out)		(155,000)		(1,500,000)		-	(1,655,000)		(928,707)	
Tax notes issued		-		4,500,000		-	4,500,000		-	
Tax notes redeemed				(6,050,000)		-	(6,050,000)			
Net cash provided by (used in)										
non-capital financing activities		613,494		(3,050,000)		50,245	(2,386,261)		(842,507)	
Cash flows from capital and related financing a	activi			(1.500)		(1.100)	(90.240)		(250,626)	
Purchase of capital assets		(86,640)		(1,500)		(1,100)	(89,240)		(259,626)	
Capital lease payments				-		<u> </u>	<u> </u>		(9,963)	
Net cash (used in) capital and related										
financing activities		(86,640)		(1,500)		(1,100)	(89,240)		(269,589)	
Cash flows from investing activities										
Purchase of investments		_		(7,837,432)		-	(7,837,432)		_	
Proceeds from matured investments		_		9,213,283		-	9,213,283		-	
Interest received		85,619		178,157		-	263,776		697	
Net cash provided by (used in)		05.610		1.554.000			1 (20 (27		607	
investing activities		85,619		1,554,008		-	1,639,627		697	
Net increase in cash and										
cash equivalents		1,078,256		32,873		44,041	1,155,170		129,504	
Cash and cash equivalents, beginning of year		5,605,436		3,851,599		272,324	9,729,359		2,802,092	
Cash and cash equivalents, end of year	\$	6,683,692	\$	3,884,472	\$	316,365 \$	10,884,529	\$	2,931,596	
Reconciliation to the Statement of Net Assets										
Cash and cash equivalents	\$	1,761,931	\$	3,884,472	\$	316,365 \$	5,962,768	\$	2,931,596	
Restricted cash and cash equivalents		4,921,761		- , ,	+		4,921,761	r	-	
•										
	\$	6,683,692	\$	3,884,472	\$	316,365 \$	10,884,529	\$	2,931,596	

Statement of Cash Flows (Concluded) Proprietary Funds For the Year Ended December 31, 2004

		Governmental				
_	Medical	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		_	Activities-	
	Care	Tax Revolving	Enterprise		Internal	
-	Facility	Fund	Funds	Total	Service Funds	
Reconciliation of operating income (loss) to						
net cash provided by (used in) operating activi-	ties					
Operating income (loss)	\$ 97,841	\$ 1,067,358	\$ 36,400 \$	1,201,599	\$ 700,623	
Adjustments to reconcile operating income (loss	s)					
to net cash provided by (used in) operations:						
Depreciation	368,759	17,136	2,373	388,268	390,800	
Changes in assets and liabilities:						
Accounts receivable	(80,213)	-	(107)	(80,320)	71,807	
Property taxes-delinquent	-	238,131	· -	238,131	-	
Accrued interest receivable	-	194,855	-	194,855	-	
Due from other governmental units	-	134,000	-	134,000	-	
Advances to other funds	-	55,936	-	55,936	-	
Inventory	-	-	-	-	(7,735)	
Prepaid items	9,012	-	-	9,012	(35,303)	
Accounts payable	7,767	-	(44,111)	(36,344)	(86,711)	
Accrued payroll	37,627	(14,401)	341	23,567	5,653	
Other accrued liabilities	53,702	-	-	53,702	-	
Due to individuals	62	(121,819)	-	(121,757)	-	
Due to other governmental units	-	(40,831)	-	(40,831)	-	
Claims payable	-	-	-	-	257,705	
Advances from other funds	-	-	-	-	(55,936)	
Deferred revenue	(28,774)	-	-	(28,774)		
Not each amorided by (used in)						
Net cash provided by (used in) operating activities	\$ 465,783	\$ 1,530,365	\$ (5,104) \$	1,991,044	\$ 1,240,903	

Statement of Fiduciary Net Assets Fiduciary Funds December 31, 2004

	Pension Trust Funds		Agency Funds
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$	87,851	\$ 2,147,075
Investments:			
U.S. government securities		696,063	-
Corporate bonds		818,699	-
Mutual and cash management funds		1,796,845	-
Accounts receivable		2,357	 29,625
TOTAL ASSETS		3,401,815	\$ 2,176,700
Liabilities			
Accounts payable		4,507	\$ 2,431
Due to individuals and agencies		-	1,209,243
Due to other government units		-	 965,026
Total liabilities		4,507	\$ 2,176,700
Net assets held in trust for			
Retirement administration		3,342,121	
Employee benefits		55,187	
Total net assets	\$	3,397,308	

COUNTY OF CALHOUN, MICHIGAN Statement of Changes in Plan Net Assets Pension Trust Funds For the Year Ended December 31, 2004

Additions:	
Investment income:	
Interest and dividends	\$ 204,492
Contributions:	
Employer	532,818
Employee	755,518
Forfeitures	10,000
Total additions	1,502,828
Deductions:	, ,
Pension benefits paid to participants	177,957
Actuarial fees	27,321
Administrative fees	8,505
Refunds	27,414
Employee reimbursements	209,125
Total deductions	450,322
Net increase	1,052,506
Net assets held in trust for pension benefits	
Beginning of year	 2,344,802
End of year	\$ 3,397,308

Combining Statement of Net Assets Component Units December 31, 2004

	Drain Commission		Road Commission		Board of Public Works			Total
Assets								
Cash and cash equivalents	\$	689,779	\$	580,007	\$	861,459	\$	2,131,245
Receivables, net	·	1,389,163		2,151,658		13,470,410	Ċ	17,011,231
Prepaid items and other assets		-		902,630		-		902,630
Capital assets not being depreciated		-		21,483,686		-		21,483,686
Capital assets being depreciated, net		2,951,539		21,106,717		-		24,058,256
Total assets		5,030,481		46,224,698		14,331,869		65,587,048
Liabilities								
Accounts payable and accrued expenses		171,155		1,427,718		531,128		2,130,001
Deferred revenue		-		80,460		-		80,460
Long-term liabilities:								
Due within one year		318,300		861,509		730,000		1,909,809
Due in more than one year		1,524,435		2,315,507		12,625,000		16,464,942
Total liabilities		2,013,890		4,685,194		13,886,128		20,585,212
Net assets								
Invested in capital assets, net of related debt		1,108,804		39,413,387		-		40,522,191
Unrestricted		1,907,787		2,126,117		445,741		4,479,645
Total net assets	\$	3,016,591	\$	41,539,504	\$	445,741	\$	45,001,836

Combining Statement of Activities Component Units

For the Year Ended December 31, 2004

	Drain Commission		Road Commission		Board of Public Works		Total
-							
Expenses					*		
County Drains	\$	254,497	\$	-	\$ -	\$	254,497
County Roads		-		13,210,818	-		13,210,818
Public Works		-		-	1,542,583		1,542,583
Total expenses		254,497		13,210,818	1,542,583		15,007,898
Program revenues							
Charges for services		_		3,068,849	73,725		3,142,574
Operating grants and contributions		177,725		10,160,858	1,566,350		11,904,933
Capital grants and contributions		884,652		665,781	-		1,550,433
		,		· · · · · · · · · · · · · · · · · · ·			· · · · · · · · · · · · · · · · · · ·
Total program revenues		1,062,377		13,895,488	1,640,075		16,597,940
Net revenue		807,880		684,670	97,492		1,590,042
General revenues							
Unrestricted investment earnings		-		3,162	10,005		13,167
Change in net assets		807,880		687,832	107,497		1,603,209
Net assets, beginning of year, as restated		2,208,711		40,851,672	338,244		43,398,627
Net assets, end of year	\$	3,016,591	\$	41,539,504	\$ 445,741	\$	45,001,836

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Notes to the Financial Statements

For the Year Ended December 31, 2004

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Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Calhoun, Michigan (the "County" or "government") was incorporated in 1829 and covers an area of approximately 718 square miles in southern lower Michigan. The County operates under a 7-member elected Board of Commissioners and an appointed County Administrator/Coordinator. The County seat is located in the City of Marshall.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

Blended Component Unit

Calhoun County Building Authority - The Building Authority is governed by a three-member board appointed by the Calhoun County Board of Commissioners. Its sole function is to oversee the financing and construction, if any, of the County's public buildings; therefore, it is reported as if it were part of the primary government. It has been reported as a debt service fund.

Discretely Presented Component Units

Calhoun County Drain Commission (the "Drain Commission") - All drainage districts established pursuant to the Michigan Drain Code of 1956, as amended, are separate legal entities with the power to contract, to sue and be sued, and to hold, manage and dispose of real and personal property. The statutory governing board of Chapter 20 drainage districts consists of the Drain Commissioner, the Chair of the County Board of Commissioners and one other member of the County Board of Commissioners.

The statutory governing board of Chapter 5 and 6 drainage districts consists of the Michigan Director of Agriculture and the Drain Commissioner of each county involved in the project. The County Drain Commission has sole responsibility to administer Chapter 3 and 4 drainage districts. A drainage board or drain commissioner, on behalf of the drainage district, may issue debt and levy special assessments without the prior approval of the County. The full faith and credit of the County may be given for the debt of a drainage district.

Notes to the Financial Statements

Also, pursuant to the Inland Lake Level Act of 1961, after the Circuit Court of the County establishes a lake level, the Drain Commissioner has the responsibility to maintain that level with control structures and/or pumps. The Drain Commissioner may issue debt and levy special assessments to defray the expenses required to maintain the Court ordered lake levels. The Drain Commission has a December 31 year end.

Calhoun County Road Commission (the "Road Commission") - The Road Commission, established pursuant to State statute, is governed by a three-member board appointed by the County. Its receipts are deposited with the County Treasurer, who invests certain of those deposits. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, such taxes would be levied under the taxing authority of the County and included as part of the County's total tax levy as well as reported by the Road Commission. The Road Commission has a December 31 year end.

Calhoun County Board of Public Works (the "BPW") - The BPW is governed by a three-member board appointed by the County. It is responsible for administering various public works construction projects and the associated debt service funds under the provisions of Act 195, Public Acts of 1957, as amended, as well as an internal service (i.e., "revolving") fund. All of the BPW's contractual agreements, including construction project bond issuances, require County approval. The BPW has a December 31 year end.

Complete financial statements for each of the discretely presented component units may be obtained at the entity's administrative offices.

Calhoun County Drain Commission

315 West Green Street Marshall, Michigan 49068

Calhoun County Road Commission

13300 Fifteen Mile Road Marshall, Michigan 49068

Calhoun County Board of Public Works

13300 Fifteen Mile Road Marshall, Michigan 49068

<u>Funds With Other Year Ends</u> – The financial statements of the Health Department special revenue fund are presented in the accompanying financial statements using its fiscal year end of September 30, 2004.

Notes to the Financial Statements

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources* measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Notes to the Financial Statements

Governmental fund financial statements are reported using the *current financial* resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, State revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *health department fund* accounts for the activities of delivering health services to residents.

The *senior millage special revenue fund* accounts for the activities of providing senior citizen services where financing is provided by a County tax levy.

The revenue sharing reserve special revenue fund accounts for accelerated property taxes collections held for the replacement of future state shared revenues.

The *child care special revenue fund* accounts for the in-home-care programs and outof-home child care of children where the financing is provided by state grants and County appropriations.

The County reports the following major proprietary funds:

The *Medical Care Facility fund* is used to account for the operation of the Calhoun County Medical Care Facility. Financing is provided through charges for services, Medicare and Medicaid reimbursements, and general fund appropriations.

Notes to the Financial Statements

The *delinquent tax revolving fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County, and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments.

Additionally, the County reports the following fund types:

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

Debt service funds account for the servicing of long-term debt not being financed by proprietary funds.

Permanent fund. This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support specified government programs.

Enterprise funds. These funds account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services (such as building and grounds care, administrative services, insurance, and employee benefits) to other departments or agencies of the County on a cost-reimbursement basis.

The *pension trust funds* are accounted for in essentially the same manner as proprietary funds, using the same measurement focus and basis of accounting. The pension trust fund accounts for the assets of the County's defined benefit pension plan, the 401(k) pension plan and the Flexible Benefit Plan.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Notes to the Financial Statements

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value, which is determined as follows: a) short-term investments are reported at cost, which approximates fair value; b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; c) investments that do not have established market values are reported at estimated fair value; and d) cash deposits are reported at carrying amount, which reasonably approximates fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. Receivables and payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other

Notes to the Financial Statements

funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances"

Advances between funds or component units are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

In the case of the initial capitalization of general infrastructure assets (i.e. – those reported in the Drain Commission and Road Commission component units), the component units each chose to include all items retroactively to 1980.

Notes to the Financial Statements

Capital assets of the primary government and Drain Commission component unit are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Years
Buildings	30
Drain and lake level infrastructure	50
Vehicles	3-20
Equipment	5-10

Capital assets in the Road Commission discretely presented component unit are depreciated as follows:

	Methods	Useful Lives- Years
Buildings and improvements	Straight-line	40
Road equipment	Sum of years-digits	5-8
Other equipment Infrastructure	Straight-line Straight-line	5-8 8-50

5. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave as it does not vest. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Notes to the Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, governmental activities report net assets restricted for programs, which represent amounts restricted by federal and state mandates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end.

On or before the first Monday in August of each year, all departments and agencies of the government submit requests for appropriations to the County Administrator so that a budget may be prepared. Prior to December 31, the proposed budget is presented to the County Board of Commissioners for review, public hearings and eventual adoption through passage of an annual budget ordinance.

The appropriated budget is prepared by fund, function and activity for the General Fund and by fund and function for the special revenue funds. The government's administrator may make transfers of appropriations less than or equal to \$10,000 within an activity for the General Fund and within a function for the special revenue funds. Transfers of appropriations between General Fund activities or special revenue fund functions greater than \$10,000 require the approval of the Board of Commissioners. The legal level of budgetary control is the activity level for the General Fund and the function level for the special revenue funds. The Board of Commissioners made several supplemental budgetary appropriations during the year which were not considered material.

Encumbrance accounting is not employed by the County because it is presently considered unnecessary to reasonably assure budgetary control.

Notes to the Financial Statements

B. Excess of expenditures over appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2004, the following activities of the General Fund had expenditures in excess of appropriations as follows:

	mended Budget	 Actual	 ariance
General Fund	 		
Judicial:			
Probate court	\$ 770,754	\$ 770,804	\$ 50
General government:			
Planning department	115,000	125,000	10,000
Public safety:			
Road patrol	1,072,424	1,078,386	5,962
Pennfield contract	392,363	393,808	1,445
Traffic safety	352,760	356,781	4,111
COPS/DARÉ	45,517	46,342	825
Work program	112,467	113,828	1,361
Corrections/jail	8,802,688	8,823,595	20,907

C. Deficit fund equity

At year end, the County had the following deficit fund balance:

Special Revenue Funds -Parks \$ 65,579

During 2005, the County will update the status of this deficit with the Michigan Department of Treasury. The original deficit elimination plan for the Parks fund was filed with the State in 2002.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown in the basic financial statements is as follows:

Cash on hand	\$ 5,570
Carrying amount of deposits	17,950,553
Carrying amount of investments	 14,812,776

\$ 32,768,899

Notes to the Financial Statements

	Primary <u>Government</u>	Component <u>Units</u>	Fiduciary <u>Funds</u>	<u>Total</u>
Cash and cash equivalents Investments	\$ 17,217,018 	\$ 2,131,245	\$ 2,234,926 3,311,607	\$ 21,583,189 11,185,710
	<u>\$ 25,091,121</u>	<u>\$ 2,131,245</u>	<u>\$ 5,546,533</u>	<u>\$ 32,768,899</u>

At year end, the carrying amount of the County's deposits was \$17,950,553. The combined bank balance of these deposits was \$18,954,144, of which \$1,203,357 was covered by F.D.I.C. insurance. The remaining balance of \$17,750,787 was uninsured and uncollateralized. Since the bank deposits of the primary government and discretely presented component units are pooled, separate risk categorizations or identification of FDIC coverage is not possible.

Investments are categorized for purposes of credit risk as either (1) insured or registered, or securities held by the government or its agent in the government's name, (2) uninsured or unregistered, with securities held by the counterparty's trust department or agent in the government's name, or (3) uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

The governmental cash management funds in the County's pooled cash and investments and the discretely presented component units' investment balances at year end were all uncategorized as to risk.

At year end, the County's investment balances were as follows:

		Category						Carrying Amount	
U.S. government		<u>1</u>		<u>2</u>		<u>3</u>	<u>U</u> 1	ncategorized	(Fair <u>Value</u>)
securities	\$	_	\$	_	\$	696,063	\$	_	\$ 696,063
Corporate bonds		-		-		818,699		_	818,699
Commercial paper	_		_			3,206,418	_		 3,206,418
Total risk – categorize investments	ed <u>\$</u>	<u>=</u>	<u>\$</u>		<u>\$</u>	4,721,180		-	4,721,180
Mutual and cash manag (uncategorized as to r	•		fund	s				10,091,596	 10,091,596
Total							\$	10,091,596	\$ 14,812,776

Notes to the Financial Statements

B. Receivables

Receivables in the governmental activities are as follows:

Taxes	\$ 18,240,361
Accounts	860,979
Due from other governments	3,830,030
Advance to component unit	76,600
Accrued interest	3,065

\$ 23,011,035

Receivables in the business-type activities are as follows:

Taxes	\$ 5,267,976
Accounts	812,370
Interest	1,042,803
	<u>\$ 7,123,149</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	Unearned
Property taxes receivable (current) Property taxes receivable (delinquent) Grant drawdowns prior to meeting all	\$ - 331,326	\$ 13,600,921
eligibility requirements		80,019
	<u>\$ 331,326</u>	<u>\$ 13,680,940</u>

Notes to the Financial Statements

C. Capital assets

Capital assets activity for the year ended December 31, 2004 was as follows:

Primary government

	В	Beginning						Ending
		Balance	I	ncreases	De	creases		Balance
Governmental Activities								
Capital assets, not being depreciated:								
Land	\$	1,234,203	\$	30,073	\$		\$	1,264,276
Land	Φ	1,234,203	Ф	30,073	φ		φ	1,204,270
Capital assets, being depreciated:								
Buildings and improvements		47,315,996		110,289		_		47,426,285
Equipment and furniture		12,126,677		835,247		_		12,961,924
Vehicles		1,289,401		300,964		_		1,590,365
Total capital assets, being depreciated		60,732,074	1	,246,500		_		61,978,574
Total capital assets, being depreciated		00,752,071		1,2 10,200				01,570,571
Less accumulated depreciation for:								
Buildings and improvements		14,274,474	1	,027,122		_		15,301,596
Equipment and furniture		10,639,975		540,993		_		11,180,968
Vehicles		971,503		145,625		_		1,117,128
Total accumulated depreciation		25,885,952	1	,713,740		_		27,599,692
•								
Total capital assets, being depreciated, net		34,846,122		(467,240)		_		34,378,882
Governmental activities capital assets, net	\$	36,080,325	\$	(437,167)	\$	-	\$	35,643,158
								
Business-type Activities								
Capital assets, being depreciated:								
Land improvements	\$	96,071	\$	20,525	\$	_	\$	116,596
Buildings and improvements	4	6,213,781	Ψ	49,279	Ψ	_	Ψ	6,263,060
Equipment and furniture		1,957,795		19,436		30,700		1,946,531
Equipment and farment		1,501,750		17,.00		20,700		1,5 10,001
Total capital assets, being depreciated		8,267,647		89,240		30,700		8,326,187
<i>B</i> • · · · · · · · · · · · · · · · · · ·		-,,		,		,		
Less accumulated depreciation for:								
Land improvements		66,152		6,721		_		72,873
Buildings and improvements		4,001,355		201,675		-		4,203,030
Equipment and furniture		1,532,439		179,872		30,700		1,681,611
Total accumulated depreciation		5,599,946		388,268		30,700		5,957,514
•								
Business-type activities capital assets, net	\$	2,667,701	\$	(299,028)	\$		\$	2,368,673

Notes to the Financial Statements

<u>Component Unit – Drain Commission</u>

]	Beginning Balance	Increases	Decreases		Ending Balance
Governmental Activities: Capital assets, being depreciated: Infrastructure	\$	2,727,894	\$ 738,111	\$	-	\$ 3,466,005
Less accumulated depreciation		459,908	54,558		-	 514,466
Drain Commission capital assets, net	\$	2,267,986	\$ 683,553	\$	-	\$ 2,951,539

Component Unit – Road Commission

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Capital assets not being depreciated:				
Land	\$ 484,292	\$ -	\$ -	\$ 484,292
Land improvements - infrastructure	 20,276,740	722,654	-	20,276,740
Total capital assets not				
being depreciated	 20,761,032	722,654	-	21,483,686
Capital assets being depreciated:				
Land improvements	75,305	-	-	75,305
Buildings and improvements	1,742,264	39,143		1,781,407
Road equipment	8,996,133	96,469	83,835	9,008,767
Shop equipment	228,816	17,841	-	246,657
Office equipment	324,501	87,764	2,756	409,509
Engineers' equipment	82,403	-	6,288	76,115
Yard and storage	815,179	7,474	-	822,653
Depleteable assets	240,206	-	4,939	235,267
Infrastructure - roads and signals	29,392,214	1,138,485	-	30,530,699
Infrastructure - bridges	 6,344,140	135,143	-	6,479,283
Total capital assets being depreciated	 48,241,161	1,522,319	97,818	49,665,662
Accumulated depreciation and depletion				
Buildings and improvements	1,450,401	52,703	-	1,503,104
Equipment	8,863,991	273,610	69,980	9,067,621
Depleteable assets	141,493	-	4,939	136,554
Infrastructure - roads and signals	14,607,628	1,179,354	-	15,786,982
Infrastructure - bridges	 1,857,145	207,539	-	2,064,684
Total accumulated depreciation				
and depletion	 26,920,658	1,713,206	74,919	28,558,945
Total capital assets being depreciated - net	 21,320,503	(190,887)	22,899	21,106,717
Governmental activities capital assets - net	\$ 42,081,535	\$ 531,767	\$ 22,899	\$ 42,590,403

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Legislative	\$ 6,090
Judicial	281,361
General government	90,437
Public safety	785,977
Health and welfare	144,283
Recreation and culture	14,792
Capital assets held by the government's internal service	
funds are charged to the various functions bases on usage	
of the assets	390,800
Total depreciation expense - governmental activities	\$ 1,713,740
Business-type activities:	
Medical Care Facility	\$ 368,759
Delinquent tax Collection	17,136
Property description	2,373
Total depreciation expense - business-type activities	\$ 388,268

Depreciation expense was charged to the Public Works function in the year 2004 for the Drain Commission and Road Commission component units.

D. Accounts payable

Accounts payable and accrued liabilities in the governmental activities are as follows:

Total	<u>\$ 3,777,601</u>
Accrued interest on long-term debt	90,374
Claims incurred but not reported	683,462
Due to component units	76,590
Due to other governments	453,868
Accrued payroll	655,808
Accounts payable	\$ 1,817,499

Notes to the Financial Statements

E. Interfund receivables, payables and transfers

The Delinquent Tax Enterprise fund has made long-term advances to the Building and Grounds Internal Service fund in the amount of \$120,401.

In addition, the Child Care Special Revenue fund and certain nonmajor governmental funds with negative balances in the County's pooled cash accounts of \$313,260 and \$742,521, respectively, reported interfund payables, which are equal to the interfund receivable of \$1,055,781 reported in the General fund.

Interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At December 31, 2004, due to/due from other funds consisted of the following:

	Receivable	Payable	
Due from/to other funds:			
General Fund	\$ 2,391	\$ 4,249,508	
Health Department	493	-	
Revenue Sharing Reserve	4,249,508	-	
Non-major Governmental Funds	1,594	3,985	
Total per financial statements	4,253,986	4,253,493	
Adjustment for different fiscal year end:			
Health Department FYE 9/30/2004	(493)	<u>-</u>	
	\$ 4,252,392	\$ 4,253,493	

For the year ended December 31, 2004, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 3,978,007	\$ 6,005,268
Health Department	835,275	150,000
Senior Millage	-	9,000
Revenue Sharing Reserve	-	1,326,010
Child Care	2,766,329	-
Non-major Governmental Funds	2,538,257	180,328
Internal Service Funds	86,200	928,707
Medical Care Facility	-	155,000
Delinquent Tax Revolving Fund	-	1,500,000
Nonmajor Enterprise Fund	50,245	
	\$ 10,254,313	\$ 10,254,313

Notes to the Financial Statements

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Capital Leases

Total

The government has entered into two lease agreements for financing the acquisition of phone equipment and five vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases in governmental activities are as follows:

Capital asset:	
Equipment and furniture	\$ 321,482
Vehicles	67,000
Less accumulated depreciation for:	
Equipment and furniture	(22,963)
Vehicles	(6,700)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004, were as follows:

\$ 358,819

Year Ending December 31	
2005	\$ 71,086
2006	71,085
2007	71,086
2008	57,467
2009	52,926
2010-2011	92,621
Total minimum lease payments	416,271
Less: amount representing interest	(50,040)
Present value of minimum lease payments	<u>\$ 366,231</u>

Notes to the Financial Statements

G. Long-term debt

Primary government

Governmental activities

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. No general obligation bonds were issued during the current year.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are typically issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Installments</u>	Interest Rates	<u>Amount</u>
Governmental activities:			
County Building Authority –			
\$2,375,000 and \$11,190,000 issues			
for Buildings	\$805,000 to		
-	2,073,283	3.95 to 5.20%	<u>\$ 9,089,270</u>

Annual debt service requirements to maturity for governmental activities general obligation bonds are as follows:

Year ending December 31,	P	rincipal	I	nterest		Total
2005	\$	608,029	\$	354,136	\$	962,165
2006		650,086		322,685		972,771
2007		676,462		290,269		966,731
2008		532,164		260,165		792,329
2009		559,711		232,914		792,625
2010-2014		3,112,818		919,756		4,032,574
2015-2018		2,950,000		305,750		3,255,750
	\$	9,089,270	<u> </u>	2,685,675	<u></u>	11,774,945

Notes to the Financial Statements

Business-type activities

Delinquent tax notes. The government issues delinquent tax notes to finance the purchase of delinquent real property taxes receivable from each taxing district in the County. These notes are reported in the proprietary funds (i.e., Delinquent Tax Revolving Internal Service Fund) as they are expected to be repaid from proprietary fund revenues. Each series of delinquent tax notes are subject to variable interest rates which are determined on a weekly basis by the County's remarketing agent using established criteria and legal limitations. Principal and interest payments are predicated upon actual collections of delinquent property taxes, which are subject to collection over a period not to exceed three years. Delinquent tax notes outstanding at December 31, 2004, are as follows:

<u>Series</u>	<u>Amount</u>

2004 - \$4,500,000 G.O. Limited Tax Notes payable, dated May 21, 2004 – interest at 2.77%

\$ 450,000

Drain Commission component unit

Notes payable. The Drain Commission issues notes payable for the construction or major maintenance of drainage and lake level districts. Such notes are repaid from special assessments to local property owners.

	Interest			
	<u>Due</u>	<u>Installments</u>	Rate	Amount
Various drain and lake level notes payable	2004- 2011	\$125,850 to \$423,475	Various_	\$ 1,842,735

Annual debt service requirements to maturity for drain notes are as follows:

Year ending December 31,	Principal	Interest	Total
2005	\$ 318,300	\$ 42,235	\$ 360,535
2006	423,475	56,635	480,110
2007	274,460	29,596	304,056
2008	125,850	11,557	137,407
2009	276,816	82,431	359,247
2010-2011	423,834	80,415	504,249
	\$ 1,842,735	\$ 302,869	\$ 2,145,604

Notes to the Financial Statements

Road Commission component unit

Michigan Department of Transportation bonds. The Road Commission borrows from the Michigan Transportation Bond Fund to finance various capital projects.

	<u>Due</u>	Interest Rate	Amount
Michigan Transportation Fund Bonds:			
1996 Series	2006	4% to 6%	\$ 150,000
1997 Series	2006	6%	90,000
1998 Series	2008	4.15%	185,000
	2012	3.15% to	
2002 A and B Series		6.15%	1,060,000
2003 Series	2013	3.25% to 4%	790,000
			\$ 2,275,000

Leases payable. The Road Commission has an outstanding machinery and equipment capital leases. The current principal balance of \$625,473 is payable in semi-annual installments of \$134,031, with interest at 4.50%, maturing 2007.

Contracts payable. The Road Commission has two contracts payable for building and land, and for sewer construction costs. These contracts are repayable at 6% and 3% interest rates through 2006, and amounted to \$276,543 at December 31, 2004.

Annual debt service requirements to maturity for Michigan Department of Transportation bonds, notes payable and leases, are as follows:

Year ending	Bor	ıds			Installme	nt L	eases		Cont	ract	s	Total			
December 31,	Principal		Interest	P	rincipal	I	nterest	F	Principal		Interest		Principal		Interest
2005	\$ 355,000	\$	89,554	\$	241,526	\$	26,536	\$	264,983	\$	680	\$	861,509	\$	116,770
2006	360,000		73,643		252,986		15,075		11,560		350		624,546		89,068
2007	250,000		58,713		130,961		3,070		-		-		380,961		61,783
2008	260,000		49,302		-		-		-		-		260,000		49,302
2009	220,000		39,455						-		-		220,000		39,455
2010-2013	830,000		68,088		-		_		-		-		830,000		68,088
	\$ 2,275,000	\$	378,755	\$	625,473	\$	44,681	\$	276,543	\$	1,030	\$	3,177,016	\$	424,466

Board of Public Works Component Unit

The Board of Public Works (BPW) works through the County and issues general obligation bonds to finance water and sewer infrastructure projects, which are administered by BPW. These bonds are direct obligations and pledge the full faith and credit of the County and the benefiting municipalities.

Notes to the Financial Statements

Annual debt service requirements to maturity for BPW bonds are as follows:

Year Ending	Governmental Activitie			
December 31		Principal		Interest
2005	\$	730,000	\$	503,118
2006		735,000		478,290
2007		765,000		452,743
2008		790,000		426,222
2009		805,000		398,651
2010-2014		3,860,000		1,519,341
2015-2019		3,845,000		696,235
2020-2024		900,000		177,391
2025-2029		550,000		94,972
2030-2032		375,000		19,500
	\$	13,355,000	\$	4,766,464

Changes in long-term debt.

Long-term debt liability activity for the year ended December 31, 2004, was as follows:

Notes to the Financial Statements

Governmental activities	•	Balance January 1, 2004	 Additions	Deletions	De	Balance ecember 31, 2004	Due in One Year
General obligation bonds Lease purchase agreements Compensated absences	\$	11,162,553 - 1,415,945	\$ 388,482 2,284,688	\$ 2,073,283 22,251 2,219,606	\$	9,089,270 366,231 1,481,027	\$ 608,029 57,078 1,481,027
	\$	12,578,498	\$ 2,673,170	\$ 4,315,140	\$	10,936,528	\$ 2,146,134
Business-type activities							
General obligation limited tax notes payable	\$	2,000,000	\$ 4,500,000	\$ 6,050,000	\$	450,000	\$ 450,000
Drain Commission component unit							
Drain notes payable Lake level notes payable	\$	1,325,421 13,400	\$ 772,100 129,000	\$ 391,786 5,400	\$	1,705,735 137,000	\$ 300,450 17,850
	\$	1,338,821	\$ 901,100	\$ 397,186	\$	1,842,735	\$ 318,300
Road Commission component unit							
Michigan Transportation fund bond Installment lease payable Contracts payable	\$	2,615,000 274,793 856,058	\$ 12,800	\$ 340,000 11,050 230,585	\$	2,275,000 276,543 625,473	\$ 355,000 264,983 241,526
	\$	3,745,851	\$ 12,800	\$ 581,635	\$	3,177,016	\$ 861,509
Board of Public Works component	<u></u>						
Bonds payable	\$	14,065,000	\$ 	\$ 710,000	\$	13,355,000	\$ 730,000

For the governmental activities, compensated absences are generally liquidated by the general fund.

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk Management / Self-Insurance Programs

The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. On risks that are commercially insured, settlements have not exceeded insurance coverage in any of the past three years. Following is a summary of the self-insurance programs and risk management pool participation.

Liability. The County participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverages. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from an internal service fund (i.e., the Insurance fund) using premiums paid into it by the general fund of the government. Such contributions as received by MMRMA are allocated between the general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members self-insured retention limits along with certain other member-specific costs.

Under most circumstances, the County's maximum loss retention per occurrence was as follows:

Type of Risk

General and automobile liability Motor vehicle physical damage

Property damage

Maximum Retention Per Occurrence

\$75,000 \$16,000 per vehicle \$31,000 per occurrence \$11,000

The County had estimated claims payable of \$196,603 at December 31, 2004. In addition, the County had accumulated a deficit of \$9,829 in its retention account with MMRMA, which is recorded in accounts payable at year end.

Notes to the Financial Statements

Changes in the balances of the County's estimated claims payable during the past two years are as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims, beginning of year	\$142,121	\$ 117,809
Incurred claims (including IBNR's) Claim payments	718,773 (664,291)	693,734 (669,422)
Unpaid claims, end of year	<u>\$196,603</u>	<u>\$ 142,121</u>

Employee Benefits. The government maintains a self-insurance program for employee health care coverage which is accounted for in an internal service fund (i.e., the Employee Benefits fund). The program is administered by a third party administrator who provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on actuarial and management estimates. These premiums are available to pay health care claims, claim reserves, excess coverage and administrative costs as well as to purchase dental and life insurance coverage from commercial carriers and to reimburse the State for unemployment benefits paid.

Health care liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers annual individual claims in excess of \$75,000. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Changes in the balances of health care claims liabilities during the past two years are as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims, beginning of year	\$ 198,832	\$ 269,205
Incurred claims (including IBNR's)	4,038,899	4,127,169
Claim payments	(4,003,216)	(4,197,542)
Unpaid claims, end of year	<u>\$ 234,515</u>	<u>\$ 198,832</u>

Notes to the Financial Statements

Workers' Compensation. The government maintains a self-insurance program for workers' compensation coverage which is accounted for in an internal service fund (i.e., the Workers' Compensation fund). The program is administered by a third party administrator who conducts safety inspections and provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on payrolls and job classifications and are available to pay claims, claim reserves, excess coverage and administrative costs.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$325,000 subject to an annual aggregate limit of \$1 million. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims, beginning of year	\$ 84,804	\$ 163,118
Incurred claims (including IBNR's)	314,205	239,888
Claim payments	(146,665)	(318,202)
Unpaid claims, end of year	<u>\$ 252,344</u>	<u>\$ 84,804</u>

Sick and Accident. The government maintains a self-insurance program to provide certain sick and accident benefits to full-time employees for disabilities resulting from non-employment related activities. The program, which is accounted for in an internal service fund (i.e., the Sick and Accident fund), is administered by a third party administrator who provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on payrolls and are available to pay claims, claim reserves and administrative costs.

Liabilities, including an amount for claims that have been incurred but not reported, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The government's calculation of such liabilities indicated an amount that would be immaterial to the accompanying financial statements; therefore, no liabilities for sick and accident benefits were recorded at year end.

Notes to the Financial Statements

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2003</u>	<u>2002</u>
Unpaid claims, beginning of year Incurred claims Claim payments	\$ - 268,811 (268,811)	\$ - 148,420 (148,420)
Unpaid claims, end of year	<u>\$</u>	<u>\$</u>

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool ("Pool") established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Calhoun County Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Worker's Compensation Fund

In the past three years, there have been no reductions in coverages, nor have settlements exceeded coverages. Management of the Road Commission believes that losses, if any, in excess of Insurance Pool coverages would not be material to the financial position of the Road Commission.

The Road Commission continues to carry commercial insurance for employee health and accident insurance.

Notes to the Financial Statements

B. Property taxes

Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

Through 2004, the County property tax was levied each December 1 on the assessed valuation of property located in the County as of the preceding December 31. On December 1, the property tax assessment was an enforceable lien on property and is payable by the last day of the following February. Assessed values are established annually by the County and are equalized by the State of Michigan at an estimated 50% of current market value.

The assessed and taxable value of real and personal property for the 2003 levy, for which revenue was recognized in 2004, was \$3,111,551,000. The general operating tax rate for this levy was 5.3744 mills with an additional 0.0035 mills, 0.7452 mills, 0.2800 mills and 0.2482 mills assessed for Soldiers Relief, Senior Services, Jail Debt Service, and Medical Care Facility operations, respectively

C. Employee retirement systems and plans

Defined Contribution Pension Plan - Primary Government

Substantially all of the government's full-time employees are eligible to participate in one of two defined contribution pension plans, as established by Board policy and labor agreements. Required government contributions to the pension plans are at various rates based on Board policy and labor agreements with the various bargaining units. The Calhoun County Board of Commissioners established both plans and may amend them and the related contribution requirements, subject to the County's various collective bargaining agreements. The plans are administered and the assets are in the custody of third-party insurance companies.

The government's contributions for each employee, and interest allocated to an employee's account, are fully vested after five years of service, except for Sheriff Department employees who are fully vested after ten years. Employee contributions are fully vested at the time of contribution. Employer contributions and allocated interest for employees who leave employment before full vesting are used to reduce the employer current-period contribution requirement. All required employer contributions were made as disclosed below:

Notes to the Financial Statements

	General <u>County</u> <u>Kemper/Scudder</u>	Medical Care <u>Facility</u> Kemper/Pert	<u>Total</u>
Required and actual employer contributions Required and actual employee	\$ 414,053	\$ 109,348	\$ 523,401
contributions	779,653	171,419	951,072

Defined Benefit Pension Plans – Primary Government

Plan Description – General

Substantially all of the government's full-time employees, other than Sheriff Supervisory and Non-Supervisory Unions, are eligible to participate in a defined benefit plan, as established by the Board during 2001. The Calhoun County Defined Benefit Plan provides retirement and death benefits to plan members and beneficiaries. The plan is administered by the County and is a single-employer plan. The plan financial statements are part of this report. A separate, stand-alone report is not issued.

Funding Policy

The County is required to contribute at an actuarially determined rate; the current rate for the County is 5% of annual covered payroll. All participating employees are required to contribute 6% of their annual salary. Administrative costs of the plan are financed through investment earnings. The benefit provisions and contribution requirements of the County and of plan members are established by and may be amended by the Board of Commissioners.

For the year ended December 31, 2004, the annual pension cost of \$532,818 was equal to the required and actual contributions of the County. The required contributions were determined as part of the December 31, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5%, (b) projected salary increase of 4.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 2.5% for employees with less than 10 years of service and 1.5% for employees with 10 or more years of service, attributable to seniority/merit. The actuarial value of plan assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized over a period of 30 years as a level percentage of projected payroll on an open basis. The latest actuarial valuation was performed as of December 31, 2003.

Notes to the Financial Statements

Membership of the plan consisted of the following at December 31, 2003, the date of the latest actuarial valuation:

Total	<u>269</u>
Terminated plan members entitled to but not yet receiving benefits Active plan members	15 235
Retirees and beneficiaries receiving benefits	19

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Actuarial Liability (UAAL)	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered Payroll
12/31/01	\$ 491,742	\$ 8,674,697	\$ 8,182,955	6%	\$ 7,318,499	112%
12/31/02	1,369,971	9,749,812	8,379,841	14	7,589,164	110
12/31/03	2,249,674	10,902,589	8,652,915	21	8,566,899	101

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost</u>	Annual Required <u>Contribution</u>	Percentage Contributed	Net Po Oblig	
12/31/02	\$ 470,354	\$ 470,354	100%	\$	_
12/31/03	509,186	509,186	100		-
12/31/04	532,818	532,818	100		_

Notes to the Financial Statements

Plan Description - MERS

Both the Sheriff Supervisory and Non-Supervisory Unions are eligible to participate in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer, defined benefit pension plan. The System is administered by the MERS retirement board. MERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, MI 48917, or by calling (800) 767-6377.

Funding Policy

The County is required to contribute at an actuarially determined rate; the current rate for the County is 7% of annual covered payroll for each employee group. All participating employees are required to contribute between 12.26% and 20.66% percent of their annual salary. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County Board of Commissioners, depending on the MERS contribution program adopted by the County.

For the year ended December 31, 2004, the annual pension cost of \$466,928 was equal to the required and actual contributions of the County. The required contributions were determined as part of the December 31, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year after retirement for certain retirees depending on the benefit option selected. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized over a period of 30 years as a level percentage of projected payroll on an open basis. The latest actuarial valuation was performed as of December 31, 2003.

Notes to the Financial Statements

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	No Pens <u>Oblig</u>	sion
12/31/02	\$ 419,504	100%	\$	_
12/31/03	457,380	100		-
12/31/04	466,928	100		-

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuaria Accrue Liabilit (AAL) Entry A	d Unfunded y Actuarial - Liability	Funded <u>Ratio</u>		UAAL as a Percentage of Covered Payroll
12/31/01	\$ 2,940,286	\$ 12,485,4	77 \$ 9,545,191	24%	\$5,433,032	176%
12/31/02	3,814,840	13,446,3	34 9,631,494	28	5,958,142	162
12/31/03	5,121,803	15,304,4	31 10,182,628	33	6,670,421	153

Defined Benefit Pension Plan - Road Commission

Plan Description

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

Notes to the Financial Statements

Funding Policy

The Road Commission is required to contribute at an actuarially determined rate; the current rate is 4% of annual covered payroll. Certain employees are currently not required to contribute to the Plan. The contribution requirements of the Road Commission are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission.

Annual Pension Cost

For the year ended December 31, 2004, the Road Commission's annual pension cost of \$485,364 for MERS was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Road Commission's unfunded actuarial accrued liability as of December 31, 2003, the date of the latest actuarial valuation, is being amortized as a level percentage of projected payroll on an open basis over 28 years.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC</u>)	Percentage of APC <u>Contributed</u>	No Pens <u>Obliga</u>	
12/31/02	\$ 499,840	100%	\$	_
12/31/03	476,042	100		-
12/31/04	485.364	100		_

Notes to the Financial Statements

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Actuarial Liability (UAAL)	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
12/31/01	\$ 4,680,720	\$ 8,119,927	\$ 3,439,207	58%	\$ 2,979,616	115%
12/31/02	5,116,348	9,213,557	4,097,209	56	3,125,496	131
12/31/03	5,637,315	9,860,393	4,223,078	57	2,953,201	143

D. Contingent Liabilities

Amounts received or receivable from grantor agencies and health care intermediaries including Medicare and Medicaid are subject to audit and adjustment by the grantor agencies or intermediaries. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors or intermediaries cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government and its component units, individually or jointly, are a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government and component unit's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

E. Restatements

The beginning fund balance/net assets of the General Fund and Government-Wide Governmental Activities was decreased by \$5,836 to properly record expenditures not recorded in prior years.

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INDIVIDUAL FUND STATEMENTS



Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

		Special Revenue Funds		Debt Service Funds		Permanent Fund Cemetery Perpetual Care		Total Nonmajor overnmental Funds
<u>ASSETS</u>								
Assets								
Cash and cash equivalents	\$	1,701,806	\$	11,511	\$	-	\$	1,713,317
Investments		-		-		36,671		36,671
Receivables:								
Accounts, net		175,457		-		-		175,457
Current taxes		10,195		-		-		10,195
Delinquent taxes		206		32,850		-		33,056
Accrued interest		695		-		1,331		2,026
Due from other governmental units		1,695,395		-		-		1,695,395
Due from other funds		1,594		-		-		1,594
Prepaid items		8,667		-		-		8,667
TOTAL ASSETS	\$	3,594,015	\$	44,361	\$	38,002	\$	3,676,378
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$	344,053	\$	_	\$	_	\$	344,053
Accrued payroll	Ψ	81,338	Ψ	_	Ψ	_	Ψ	81,338
Due to other governmental units		115,000		_		_		115,000
Due to component unit		76,590		_		_		76,590
Due to other funds		3,985		_		_		3,985
Interfund payable		742,521		_		_		742,521
Deferred revenue		51,696		32,194		-		83,890
Total liabilities		1,415,183		32,194		-		1,447,377
Fund balances								
Reserved for prepaid items		8,667		-		-		8,667
Unreserved, undesignated		2,170,165		12,167		38,002		2,220,334
Total fund balances		2,178,832		12,167		38,002		2,229,001
TOTAL LIABILITIES								
AND FUND BALANCES	\$	3,594,015	\$	44,361	\$	38,002	\$	3,676,378

Combining Statement of Revenue, Expenditures and Changes in Fund Balances For the Year Ended December 31, 2004

	Special Revenue Funds	Debt Service Funds	Permanent Fund Cemetery Perpetual Care	Total Nonmajor overnmental Funds
Revenue				
Taxes	\$ 855,316	\$ 864,789	\$ -	\$ 1,720,105
Licenses and permits	16,790	-	-	16,790
Intergovernmental	4,722,111	-	-	4,722,111
Charges for services	632,369	-	-	632,369
Fines and forfeitures	9,970	-	-	9,970
Interest and rentals	10,872	7,892	600	19,364
Other	 845,712	24,266	-	869,978
Total revenue	7,093,140	896,947	600	7,990,687
Expenditures				
Current:				
Judicial	3,012,586	-	-	3,012,586
Public safety	2,906,634	-	-	2,906,634
Health and welfare	694,595	-	-	694,595
Recreation and cultural	1,104,299	-	-	1,104,299
Other	-	130,000	462	130,462
Debt service:				
Principal	-	2,073,283	-	2,073,283
Interest	-	421,653	-	421,653
Capital outlay	 300,338	-	-	300,338
Total expenditures	 8,018,452	2,624,936	462	10,643,850
Revenue over (under) expenditures	(925,312)	(1,727,989)	138	(2,653,163)
Other financing sources (uses)				
Transfers in	1,570,922	967,335	-	2,538,257
Transfers (out)	 (180,328)	_	-	(180,328)
Total other financing sources (uses)	 1,390,594	967,335	_	2,357,929
Net change in fund balances	465,282	(760,654)	138	(295,234)
Fund balance, beginning of year	1,713,550	772,821	37,864	2,524,235
Fund balance, end of year	\$ 2,178,832	\$ 12,167	\$ 38,002	\$ 2,229,001

NONMAJOR SPECIAL REVENUE FUNDS

Description of Funds Combining Financial Statements Individual Fund Financial Statements

NONMAJOR SPECIAL REVENUE FUNDS

- **Friend of the Court --** This fund is used to account for mediation services regarding custody or visitation rights to parties involved in divorce. This fund is also used to account for grant revenues that are specifically restricted to the provision of Child Support Services. Financing is provided by State and Federal sources and a County appropriation.
- **County Special Projects --** This fund is used to account for the costs of special projects and is funded by transfers from the General fund.
- **Accommodations Tax --** This fund is used to account for a collection of a ten percent hotel/motel room tax. Board of Commissioner's resolutions allocate a portion of these revenues to promote tourism and convention business. State law limits the use of hotel/motel accommodation tax revenue to the development and promotion of convention and entertainment facilities.
- **Solid Waste Management** -- This fund is used to account for costs related to a planning grant for solid waste and recycling management.
- **Family Counseling --** This fund is used to account for the operations of a family counseling service. Financing is provided by marriage license fees.
- **Parks --** This fund is used to account for certain operations and maintenance of County owned parks and facilities.
- **Remonumentation --** This fund is used to account for the operations of the State-funded remonumentation grant and Board designated fees for enhancement of the County's remonumentation initiative.
- **Register of Deeds Automation --** This fund is used to account for fees collected that are restricted by law to be used for technology upgrades with the Register of Deeds Department.
- Clerk -- This fund is used to account for the operations of the County Clerk's Byrne Memorial grant.
- **Emergency 911 --** This fund is used to account for the operations of the emergency telephone and dispatch system. Financing is provided through a County-wide surcharge.
- **Sheriff** -- This fund is used to account for the office of the Sheriff special operations and related grant funds.
- **Emergency Management --** This fund is used to account for various Homeland Security Grants.

NONMAJOR SPECIAL REVENUE FUNDS

CONCLUDED

- **Law Library --** This fund is used to record revenues provided for the maintenance of a law library. Money for the operation of this fund is from the statutory transfer of penal fines.
- **Community Corrections --** This fund is used to account for the County's community corrections program. This program is State funded.
- **Juvenile Justice Grants --** This fund is used to account for the Juvenile Delinquency Prevention Initiative Grant.
- **Community Corrections State Office --** This fund is used to account for activities under a grant for special community corrections initiatives.
- **Prosecutor --** This fund is used to account for the Prosecutor's special operations and related grant funds.
- **Federal and State Grants**—This fund is used to account for Federal and state grants such as the Juvenile Substance Abuse grant where the County acts as a pass-through agent.
- **MSU Cooperative Extension** This fund is used to account for the various programs sponsored by MSU.
- **Human Services --** This fund is used to account for funds which are provided by County, State, and Federal governments to administer the human services department, assist eligible recipients, and to administer various State and Federal human services programs.
- **Soldiers' Relief --** This fund is used to account for funds provided by a tax levy for indigent veterans.
- **Veterans' Trust --** This fund is used to account for revenue set aside for aid to veterans. Funding is provided by the State of Michigan.

Combining Balance Sheet Nonmajor Special Revenue Funds December 31, 2004

		(215) Friend of the Court	(228) County Special A Projects		(229) Accommodations Tax			(230) Solid Waste Management	
<u>ASSETS</u>									
Assets									
Cash and cash equivalents	\$	-	\$	71,660	\$	50,408	\$	647,964	
Receivables:		100				44.076		20.021	
Accounts, net		100		-		44,076		39,031	
Current taxes		-		-		-		-	
Delinquent taxes		_		-		_		-	
Accrued interest		025 941		-		-		280	
Due from other governmental units Due from other funds		935,841		1,594		-		-	
Prepaid items		-		1,394		-		- -	
TOTAL ASSETS	\$	935,941	\$	73,254	\$	94,484	\$	687,275	
LIABILITIES AND FUND BALANCES									
Liabilities	Ф	15 675	Φ	5.740	ф	00.400	Φ	25.249	
Accounts payable	\$	15,675	\$	5,749	\$	90,499	\$	25,348	
Accrued payroll Due to other governmental units		48,997		-		-		-	
Due to other governmental units Due to component unit		-		-		-		-	
Due to other funds		_		_		3,985		_	
Interfund payable		342,295		_		5,765		_	
Deferred revenue		5 12,275		_		_		_	
Total liabilities		406,967		5,749		94,484		25,348	
Fund balances (deficits)									
Reserved for prepaid items		-		-		-		-	
Unreserved, undesignated		528,974		67,505		_		661,927	
Total fund balances (deficits)		528,974		67,505		-		661,927	
TOTAL LIABILITIES									
AND FUND BALANCES	\$	935,941	\$	73,254	\$	94,484	\$	687,275	

(236) Family Counseling	(243) Parks	1	(245) Remon- umentation	emon- of Deeds		(260) Clerk	F	(264) Emergency 911
\$ -	\$ 1,011	\$	198,472	\$	290,409	\$ 4,199	\$	180,569
2,663	10,000		-		-	-		75,425
-	-		-		-	-		-
-	-		-		415	-		-
101,832	-		-		-	-		49,118
-	-		-		-	-		-
 -	-		-		-	-		-
\$ 104,495	\$ 11,011	\$	198,472	\$	290,824	\$ 4,199	\$	305,112
\$ 3,307	\$ _	\$	60,000	\$	-	\$ 100	\$	47,838
3,073	-		-		-	-		1,802
-	76,590		-		-	-		-
-	70,390		-		-	-		-
34,349	-		-		-	-		-
 40.720	76,590		-		-	100		548
 40,729	/6,390		60,000			100		50,188
63,766	(65,579)		138,472		290,824	4,099		254,924
63,766	(65,579)		138,472		290,824	4,099		254,924
\$ 104,495	\$ 11,011	\$	198,472	\$	290,824	\$ 4,199	\$	305,112

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(continued...)

Combining Balance Sheet Nonmajor Special Revenue Funds (Continued) December 31, 2004

	(265) Sheriff				(269) Law Library		(273) Community Corrections	
<u>ASSETS</u>								
Assets								
Cash and cash equivalents Receivables:	\$	26,636	\$	-	\$	8,957	\$	-
Accounts, net		2,570		-		251		-
Current taxes		-		-		-		-
Delinquent taxes		-		-		-		-
Accrued interest		77.545		210 214		-		-
Due from other governmental units Due from other funds		77,545		210,214		-		53,427
Prepaid items		-		-		_		_
repaid items								
TOTAL ASSETS	\$	106,751	\$	210,214	\$	9,208	\$	53,427
<u>LIABILITIES AND FUND BALANCES</u> Liabilities								
Accounts payable	\$	10,008	\$	19,118	\$	324	\$	856
Accrued payroll	Ψ	10,167	Ψ	17,110	Ψ	324	Ψ	3,362
Due to other governmental units		-		_		_		-
Due to component unit		-		_		-		_
Due to other funds		-		-		-		-
Interfund payable		-		191,096		-		31,864
Deferred revenue		3,327		-		-		
Total liabilities		23,502		210,214		324		36,082
Fund balances (deficits)								
Reserved for prepaid items		-		-		-		-
Unreserved, undesignated		83,249		-		8,884		17,345
Total fund balances (deficits)		83,249		-		8,884		17,345
TOTAL LIABILITIES	_		4		_			
AND FUND BALANCES	\$	106,751	\$	210,214	\$	9,208	\$	53,427

Juvenile Justice Grant	Co	ommunity orrections ate Office	(281) Prosecutor		Fede	287) ral and Grants	((289) MSU Coop. Ext.		(290) Human Services
\$	- \$	-	\$	-	\$	-	\$	3,720	\$	205,775
	-	-		-		-		1,341		-
	-	-		-		-		-		-
	-	-		-		-		-		-
	-	49,364		217,120		-		934		-
	-	-		- 8,667		-		-		-
				,						
\$	- \$	49,364	\$	225,787	\$	_	\$	5,995	\$	205,775
\$	- \$	49,364	\$	9,873	\$	-	\$	5,994	\$	-
	-	-		13,937		-		-		115,000
	-	-		-		-		_		115,000
	-	-		_		-		_		-
	-	-		142,917		-		-		-
	-	- 40.264		36,726		-		- 5.004		115,000
	-	49,364		203,453		-		5,994		115,000
	_	_		8,667		_		_		_
	-	-		13,667		-		1		90,775
	-	-		22,334		-		1		90,775
¢	φ	40.264	¢	225 727	¢		¢	5.005	ø	205 775
\$	- \$	49,364	Ф	225,787	\$	_	\$	5,995	\$	205,775

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(continued...)

Combining Balance Sheet Nonmajor Special Revenue Funds (Concluded) December 31, 2004

	(293) Soldiers'	(294) Veterans'	
	 Relief	Trust	Totals
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 10,018	\$ 2,008 \$	1,701,806
Receivables:			
Accounts, net	-	-	175,457
Current taxes	10,195	-	10,195
Delinquent taxes	206	-	206
Accrued interest	-	-	695
Due from other governmental units	-	-	1,695,395
Due from other funds	-	-	1,594
Prepaid items	 -	-	8,667
TOTAL ASSETS	\$ 20,419	\$ 2,008 \$	3,594,015
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ -	\$ - \$	*
Accrued payroll	-	-	81,338
Due to other governmental units	-	-	115,000
Due to component unit	-	-	76,590
Due to other funds	-	-	3,985
Interfund payable	-	-	742,521
Deferred revenue	 11,095	-	51,696
Total liabilities	 11,095	-	1,415,183
Fund balances (deficits)			
Reserved for prepaid items	_	_	8,667
Unreserved, undesignated	9,324	2,008	2,170,165
Total fund balances (deficits)	 9,324	2,008	2,178,832
,	 ,	, -	, , -
TOTAL LIABILITIES			
AND FUND BALANCES	\$ 20,419	\$ 2,008 \$	3,594,015

Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Year Ended December 31, 2004

	(215) Triend of the Court	Co	(228) ounty Special Projects	Aco	(229) commodations Tax	Solid	30) Waste gement
Revenue	 		• J • • • •				8
Taxes	\$ -	\$	_	\$	845,196	\$	-
Licenses and permits	_		_		-		-
Intergovernmental	2,000,806		-		-		-
Charges for services	28,411		-		-		165,454
Fines and forfeitures	-		-		-		-
Interest and rentals	-		-		-		7,664
Other	 28		-		-		-
Total revenue	 2,029,245		-		845,196		173,118
Expenditures							
Current:							
Judicial	2,989,970		-		-		-
Public safety	-		-		-		-
Health and welfare	-		-		-		183,059
Recreation and cultural	-		10,879		756,868		-
Capital outlay	55,329		-		-		
Total expenditures	 3,045,299		10,879		756,868		183,059
Revenue over (under) expenditures	 (1,016,054)		(10,879)		88,328		(9,941)
Other financing sources (uses)							
Transfers in	1,248,646		35,331		-		-
Transfers (out)	 (50,000)		-		(88,328)		
Total other financing sources (uses)	 1,198,646		35,331		(88,328)		
Net change in fund balances	182,592		24,452		-		(9,941)
Fund balance (deficit), beginning of year	 346,382		43,053				671,868
Fund balance (deficit), end of year	\$ 528,974	\$	67,505	\$	-	\$	661,927

(236) Family ounseling	(243) Parks	(245) Remon- umentation	(256) Register of Deeds Automation	(260) Clerk	(264) Emergency 911
\$ - \$	-	\$ -	\$ -	\$ -	\$ -
16,790	-	- 110.161	-	-	-
250,120	90,761	119,161	182,565	-	83,682
-	-	-	102,303	-	-
-	125	-	2,300	-	-
 3,428	16,025	65,351	-	7,079	721,116
270,338	106,911	184,512	184,865	7,079	804,798
-	-	-	-	-	-
230,053	-	-	-	-	723,070
3,957	106,469	179,162	14,569	2,980	-
1,751	100,409	1,834	2,737	2,980	4,218
235,761	106,469	180,996	17,306	2,980	727,288
 34,577	442	3,516	167,559	4,099	77,510
-	_	30,000	-	-	-
 (10,000)	-	(32,000)	-	-	
 (10,000)		(2,000)	<u>-</u>	<u>-</u>	<u>-</u> _
24,577	442	1,516	167,559	4,099	77,510
 39,189	(66,021)	136,956	123,265	-	177,414
\$ 63,766 \$	(65,579)	\$ 138,472	\$ 290,824	\$ 4,099	\$ 254,924

(continued...)

Combining Statement of Revenue, Expenditures and Changes in Fund Balances (Continued) Nonmajor Special Revenue Funds For the Year Ended December 31, 2004

		(265) Sheriff	(266) Emergency Management		(269) Law Library	(273) Community Corrections	
Revenue							
Taxes	\$	-	\$	-	\$ -	\$	-
Licenses and permits		-		-	-	-	-
Intergovernmental		400,370		206,101	-	220,277	7
Charges for services		46,470		-	-	-	-
Fines and forfeitures		3,470		-	6,500	-	-
Interest and rentals		780		-	-	-	-
Other		5		-	-	-	_
Total revenue		451,095		206,101	6,500	220,277	7
Expenditures							
Current:							
Judicial		-		-	22,616	-	-
Public safety		359,151		118,585	-	220,276	ó
Health and welfare		-		-	-	-	-
Recreation and cultural		-		-	-	-	-
Capital outlay		146,815		87,654	-	-	_
Total expenditures		505,966		206,239	22,616	220,276	<u> </u>
Revenue over (under) expenditures		(54,871)		(138)	(16,116)	1	<u> </u>
Other financing sources (uses)							
Transfers in		55,583		138	25,000	-	-
Transfers (out)		-		-	-	-	_
Total other financing sources (uses)		55,583		138	25,000	-	_
Net change in fund balances		712		-	8,884	1	l
Fund balance (deficit), beginning of year		82,537		-		17,344	<u> </u>
Fund balance (deficit), end of year	\$	83,249	\$	-	\$ 8,884	\$ 17,345	5

(274) Juvenile Justice Grant	nile Community (287) ice Corrections (281) Federal		(287) Federal and State Grants	(289) MSU Coop. Ext.	(290) Human Services		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
12,067	375,691	631,594	-	30,734	458,876		
-	-	-	-	-	35,026		
-	-	-	-	-	-		
 -	-	32,315	-	-	-		
 12,067	375,691	663,909	-	30,734	493,902		
- 12,067 -	375,691 - -	879,808 - -	- - - -	- - - 33,372	- - 470,626 -		
12,067	375,691	879,808	-	33,372	470,626		
 	-	(215,899)	-	(2,638)	23,276		
 -	- -	176,224 -	-	- -	- -		
	<u>-</u>	176,224		-			
-	-	(39,675)	-	(2,638)	23,276		
 -	-	62,009	-	2,639	67,499		
\$ -	\$ -	\$ 22,334	\$ -	\$ 1	\$ 90,775		

(continued...)

Combining Statement of Revenue, Expenditures and Changes in Fund Balances (Concluded) Nonmajor Special Revenue Funds For the Year Ended December 31, 2004

	(293) Soldiers' Relief			(294) Veterans' Trust	Totals
Revenue					
Taxes	\$	10,120	\$	_	\$ 855,316
Licenses and permits		-		_	16,790
Intergovernmental		-		16,314	4,722,111
Charges for services		-		-	632,369
Fines and forfeitures		-		-	9,970
Interest and rentals		3		-	10,872
Other		365		-	845,712
Total revenue		10,488		16,314	7,093,140
Expenditures					
Current:					
Judicial		-		-	3,012,586
Public safety		-		-	2,906,634
Health and welfare		8,216		16,670	694,595
Recreation and cultural		-		-	1,104,299
Capital outlay		-		-	300,338
Total expenditures		8,216		16,670	8,018,452
Revenue over (under) expenditures		2,272		(356)	(925,312)
Other financing sources (uses)					
Transfers in		-		_	1,570,922
Transfers (out)		-		-	(180,328)
Total other financing sources (uses)				-	1,390,594
Net change in fund balances		2,272		(356)	465,282
Fund balance (deficit), beginning of year		7,052		2,364	1,713,550
Fund balance (deficit), end of year	\$	9,324	\$	2,008	\$ 2,178,832

Friend of the Court

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

Nonmajor Special Revenue Funds For the Year Ended December 31, 2004

	1	Amended Budget	Actual	Over (Under) Budget	2003
	-	Duuget	Actual	Duuget	2003
Revenue					
Taxes	\$	-	\$ -	\$ -	\$ -
Licenses and permits		-	-	-	-
Intergovernmental		2,475,501	2,000,806	(474,695)	2,095,589
Charges for services		15,000	28,411	13,411	13,827
Fines and forfeitures		-	-	-	-
Interest and rentals		-	-	-	_
Other		-	28	28	-
Total revenue		2,490,501	2,029,245	(461,256)	2,109,416
Expenditures					
Current:					
Judicial		3,728,568	2,989,970	(738,598)	3,185,196
Public safety		-	-	-	-
Health and welfare		-	-	-	-
Recreation and cultural		-	-	-	-
Capital outlay		55,330	55,329	(1)	 15,642
Total expenditures		3,783,898	3,045,299	(738,599)	 3,200,838
Revenue over (under) expenditures		(1,293,397)	(1,016,054)	277,343	(1,091,422)
Other financing sources (uses)					
Transfers in		1,248,646	1,248,646	-	1,237,634
Transfers (out)		(50,000)	(50,000)		<u> </u>
Total other financing sources (uses)		1,198,646	1,198,646		1,237,634
Net change in fund balances		(94,751)	182,592	277,343	146,212
Fund balance (deficit), beginning of year		346,382	346,382	<u>-</u> .	 200,170
Fund balance (deficit), end of year	\$	251,631	\$ 528,974	\$ 277,343	\$ 346,382

County Special Projects

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

	A	mended		Over (Under)	
		Budget	Actual	Budget	 2003
Revenue					
Taxes	\$	- \$	-	\$ -	\$ -
Licenses and permits		-	-	-	-
Intergovernmental		-	-	-	-
Charges for services		-	-	-	-
Fines and forfeitures		-	-	-	-
Interest and rentals		-	-	-	-
Other		-	-		-
Total revenue		-	-		 -
Expenditures					
Current:					
Judicial		-	-	-	_
Public safety		-	-	-	-
Health and welfare		-	-	-	-
Recreation and cultural		35,331	10,879	(24,452)	9,113
Capital outlay		-	-		
Total expenditures		35,331	10,879	(24,452)	 9,113
Revenue over (under) expenditures		(35,331)	(10,879)	24,452	 (9,113)
Other financing sources (uses)					
Transfers in		35,331	35,331	-	34,439
Transfers (out)		-	-	-	
Total other financing sources (uses)		35,331	35,331		34,439
Net change in fund balances		-	24,452	24,452	25,326
Fund balance (deficit), beginning of year		43,053	43,053		17,727
Fund balance (deficit), end of year	\$	43,053 \$	67,505	\$ 24,452	\$ 43,053

Accommodations Tax

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

	Amended Budget		Actual	Over (Under) Budget	2003
Revenue					
Taxes	\$	845,196	\$ 845,196 \$	-	\$ 861,601
Licenses and permits		-	-	-	-
Intergovernmental		-	-	-	-
Charges for services		-	-	-	-
Fines and forfeitures		-	-	-	-
Interest and rentals		-	-	-	-
Other		_	-		
Total revenue		845,196	845,196		 861,601
Expenditures					
Current:					
Judicial		-	-	-	-
Public safety		-	-	-	-
Health and welfare		-	-	-	-
Recreation and cultural		756,868	756,868	-	774,884
Capital outlay		-	-	-	
Total expenditures		756,868	756,868		 774,884
Revenue over (under) expenditures		88,328	88,328		 86,717
Other financing sources (uses)					
Transfers in		-	-	-	-
Transfers (out)		(88,328)	(88,328)	-	 (86,717)
Total other financing sources (uses)		(88,328)	(88,328)		 (86,717)
Net change in fund balances		-	-	-	-
Fund balance (deficit), beginning of year		-	<u>-</u>	<u> </u>	
Fund balance (deficit), end of year	\$	-	\$ - \$	<u> - </u>	\$

Solid Waste Management

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

		Amended Budget		Actual	Over (Under) Budget		2003	
Revenue								
Taxes	\$	-	\$	-	\$	- \$	-	
Licenses and permits		-		-		-	-	
Intergovernmental		-		-		-	-	
Charges for services		221,000		165,454	(55,54	5)	172,791	
Fines and forfeitures		-		-		-	-	
Interest and rentals		16,766		7,664	(9,10)	2)	6,640	
Other		_		-				
Total revenue		237,766		173,118	(64,64	3)	179,431	
Expenditures								
Current:								
Judicial		-		-		-	-	
Public safety		-		-		-	-	
Health and welfare		237,766		183,059	(54,70)	7)	198,520	
Recreation and cultural		-		-		-	-	
Capital outlay		_		-				
Total expenditures		237,766		183,059	(54,70)	7)	198,520	
Revenue over (under) expenditures		-		(9,941)	(9,94	l)	(19,089)	
Other financing sources (uses)								
Transfers in		-		-		-	-	
Transfers (out)		-		-				
Total other financing sources (uses)		-						
Net change in fund balances		-		(9,941)	(9,94	1)	(19,089)	
Fund balance (deficit), beginning of year		671,868		671,868			690,957	
Fund balance (deficit), end of year	\$	671,868	\$	661,927	\$ (9,94	<u>\$</u>	671,868	

Family Counseling

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

	Amended Budget		A	Actual		Over (Under) Budget		2003
Revenue								
Taxes	\$	-	\$	-	\$	-	\$	-
Licenses and permits		16,000		16,790		790		16,270
Intergovernmental		329,032		250,120		(78,912)		77,613
Charges for services		-		-		-		-
Fines and forfeitures		-		-		-		-
Interest and rentals		-		-		-		-
Other		3,550		3,428		(122)		1,728
Total revenue		348,582		270,338		(78,244)		95,611
Expenditures								
Current:								
Judicial		-		-		-		-
Public safety		315,182		230,053		(85,129)		78,195
Health and welfare		8,000		3,957		(4,043)		1,234
Recreation and cultural		-		-		-		-
Capital outlay		17,400		1,751		(15,649)		1,026
Total expenditures		340,582		235,761		(104,821)		80,455
Revenue over (under) expenditures		8,000		34,577		26,577		15,156
Other financing sources (uses)								
Transfers in		-		-		-		-
Transfers (out)		(10,000)		(10,000)				(10,000)
Total other financing sources (uses)		(10,000)		(10,000)				(10,000)
Net change in fund balances		(2,000)		24,577		26,577		5,156
Fund balance (deficit), beginning of year		39,189		39,189				34,033
Fund balance (deficit), end of year	\$	37,189	\$	63,766	\$	26,577	\$	39,189

COUNTY OF CALHOUN, MICHIGAN Parks

	Amended Budget		Actual	Over (Under) Budget	2003	
Revenue						
Taxes	\$	- 5	\$ -	\$ -	\$	-
Licenses and permits		-	-	-		-
Intergovernmental		-	-	-		-
Charges for services		146,915	90,761	(56,154)		134,082
Fines and forfeitures		-	-	-		-
Interest and rentals		-	125	125		187
Other		75,000	16,025	(58,975)		
Total revenue		221,915	106,911	(115,004)		134,269
Expenditures						
Current:						
Judicial		-	-	-		-
Public safety		-	-	-		-
Health and welfare		-	-	-		-
Recreation and cultural		214,882	106,469	(108,413)		133,693
Capital outlay		-	-			-
Total expenditures		214,882	106,469	(108,413)		133,693
Revenue over (under) expenditures		7,033	442	(6,591)		576
Other financing sources (uses)						
Transfers in		-	-	-		-
Transfers (out)		-	-			
Total other financing sources (uses)						
Net change in fund balances		7,033	442	(6,591)		576
Fund balance (deficit), beginning of year		(66,021)	(66,021)			(66,597)
Fund balance (deficit), end of year	\$	(58,988)	\$ (65,579)	\$ (6,591)	\$	(66,021)

Remonumentation

	Amended Budget		Actual	Over (Under) Budget	2003	
Revenue						
Taxes	\$	- \$	_	\$ -	\$	-
Licenses and permits		-	-	-		-
Intergovernmental		119,161	119,161	-		96,161
Charges for services		-	-	-		-
Fines and forfeitures		-	-	-		-
Interest and rentals		-	-	-		-
Other		62,000	65,351	3,351		89,120
Total revenue		181,161	184,512	3,351		185,281
Expenditures						
Current:						
Judicial		-	-	-		-
Public safety		-	-	-		-
Health and welfare		-	-	-		-
Recreation and cultural		187,161	179,162	(7,999)		138,831
Capital outlay		1,834	1,834			13,996
Total expenditures		188,995	180,996	(7,999)		152,827
Revenue over (under) expenditures		(7,834)	3,516	11,350		32,454
Other financing sources (uses)						
Transfers in		30,000	30,000	-		-
Transfers (out)		(32,000)	(32,000)			(3,800)
Total other financing sources (uses)		(2,000)	(2,000)			(3,800)
Net change in fund balances		(9,834)	1,516	11,350		28,654
Fund balance (deficit), beginning of year		136,956	136,956			108,302
Fund balance (deficit), end of year	\$	127,122 \$	138,472	\$ 11,350	\$	136,956

	mended Budget	Actual	Over (Under) Budget	2003	
Revenue					
Taxes	\$ - \$	-	\$ -	\$	-
Licenses and permits	-	-	-		-
Intergovernmental	-	-	-		-
Charges for services	100,000	182,565	82,565		162,405
Fines and forfeitures	-	-	-		-
Interest and rentals	2,300	2,300	-		268
Other	 -	-			
Total revenue	102,300	184,865	82,565		162,673
Expenditures					
Current:					
Judicial	-	-	-		-
Public safety	-	-	-		-
Health and welfare	-	-	-		-
Recreation and cultural	99,560	14,569	(84,991)		-
Capital outlay	 2,740	2,737	(3)		39,408
Total expenditures	 102,300	17,306	(84,994)		39,408
Revenue over (under) expenditures	 	167,559	167,559		123,265
Other financing sources (uses)					
Transfers in	-	-	-		-
Transfers (out)	 -	-	-		
Total other financing sources (uses)					
Net change in fund balances	-	167,559	167,559		123,265
Fund balance (deficit), beginning of year	 123,265	123,265			
Fund balance (deficit), end of year	\$ 123,265 \$	5 290,824	\$ 167,559	\$	123,265

COUNTY OF CALHOUN, MICHIGAN Clerk

	Amended Budget	Actual	Over (Under) Budget	2003		
Revenue						
Taxes	\$ - \$	_	\$ -	\$	-	
Licenses and permits	-	-	-		-	
Intergovernmental	-	-	-		-	
Charges for services	-	-	-		-	
Fines and forfeitures	-	-	-		-	
Interest and rentals	-	-	-		-	
Other	 7,100	7,079	(21)	-		
Total revenue	 7,100	7,079	(21)			
Expenditures						
Current:						
Judicial	-	-	-		-	
Public safety	-	-	-		-	
Health and welfare	-	-	-		-	
Recreation and cultural	7,100	2,980	(4,120)		-	
Capital outlay	 -	-				
Total expenditures	 7,100	2,980	(4,120)			
Revenue over (under) expenditures	 	4,099	4,099			
Other financing sources (uses)						
Transfers in	-	-	-		-	
Transfers (out)	 -	-	<u>-</u>			
Total other financing sources (uses)	-	-			_	
Net change in fund balances	-	4,099	4,099		-	
Fund balance (deficit), beginning of year	 -	-				
Fund balance (deficit), end of year	\$ - \$	4,099	\$ 4,099	\$		

Emergency 911

	Amended Budget		Actual	Over (Under) Budget	2003	
Revenue						
Taxes	\$	- \$	-	\$ -	\$ -	
Licenses and permits		-	-	-	-	
Intergovernmental		-	-	-	-	
Charges for services	105,	495	83,682	(21,813)	82,879	
Fines and forfeitures		-	-	-	-	
Interest and rentals		-	-	-	-	
Other	725,	000	721,116	(3,884)	 753,676	
Total revenue	830,	495	804,798	(25,697)	 836,555	
Expenditures						
Current:						
Judicial		-	-	-	-	
Public safety	846,	580	723,070	(123,510)	809,363	
Health and welfare		-	-	-	-	
Recreation and cultural		-	-	-	-	
Capital outlay	4,	300	4,218	(82)	 2,542	
Total expenditures	850,	880	727,288	(123,592)	 811,905	
Revenue over (under) expenditures	(20,	385)	77,510	97,895	 24,650	
Other financing sources (uses)						
Transfers in		-	-	-	-	
Transfers (out)		-	-		 	
Total other financing sources (uses)		-			 	
Net change in fund balances	(20,	385)	77,510	97,895	24,650	
Fund balance (deficit), beginning of year	177,	414	177,414		 152,764	
Fund balance (deficit), end of year	\$ 157,	029 \$	254,924	\$ 97,895	\$ 177,414	

COUNTY OF CALHOUN, MICHIGAN Sheriff

	mended Budget	Actual	(Un	Over (Under) Budget		2003
Revenue						
Taxes	\$ -	\$ -	\$	-	\$	=
Licenses and permits	-	-		-		-
Intergovernmental	416,727	400,370		(16,357)		415,691
Charges for services	3,195	46,470		43,275		-
Fines and forfeitures	17,000	3,470		(13,530)		48,075
Interest and rentals	800	780		(20)		411
Other	 1,000	5		(995)		5,625
Total revenue	 438,722	451,095		12,373		469,802
Expenditures						
Current:						
Judicial	-	-		-		-
Public safety	399,579	359,151		(40,428)		333,549
Health and welfare	-	-		-		-
Recreation and cultural	-	-		-		-
Capital outlay	 153,916	146,815		(7,101)		174,182
Total expenditures	 553,495	505,966		(47,529)		507,731
Revenue over (under) expenditures	 (114,773)	(54,871)		59,902		(37,929)
Other financing sources (uses)						
Transfers in	52,788	55,583		2,795		84,565
Transfers (out)	 -	-				
Total other financing sources (uses)	 52,788	55,583		2,795		84,565
Net change in fund balances	(61,985)	712		62,697		46,636
Fund balance (deficit), beginning of year	82,537	82,537				35,901
Fund balance (deficit), end of year	\$ 20,552	\$ 83,249	\$	62,697	\$	82,537

Emergency Management

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

		Amended Budget	Actual	Over (Under) Budget	2003	
Revenue						
Taxes	\$	_	\$ -	\$ -	\$	_
Licenses and permits	Ψ	_	Ψ -	Ψ -	Ψ	_
Intergovernmental		285,698	206,101	(79,597)		107,131
Charges for services		-		-		-
Fines and forfeitures		_	_	_		_
Interest and rentals		_	_	_		_
Other		-	-			
Total revenue		285,698	206,101	(79,597)		107,131
Expenditures						
Current:						
Judicial		-	-	-		-
Public safety		193,697	118,585	(75,112)		28,493
Health and welfare		-	-	-		-
Recreation and cultural		-	-	-		-
Capital outlay		92,140	87,654	(4,486)		78,638
Total expenditures		285,837	206,239	(79,598)		107,131
Revenue over (under) expenditures		(139)	(138)	1		
Other financing sources (uses)						
Transfers in		139	138	(1)		-
Transfers (out)		-	-			
Total other financing sources (uses)		139	138	(1)		
Net change in fund balances		-	-	-		-
Fund balance (deficit), beginning of year						
Fund balance (deficit), end of year	\$	-	\$ -	\$ -	\$	<u>-</u>

Law Library

	Amended Budget		Actual		Over (Under) Budget	 2003		
Revenue								
Taxes	\$	-	\$	- \$	-	\$ -		
Licenses and permits		-		-	-	-		
Intergovernmental		-		-	-	-		
Charges for services		-		-	-	-		
Fines and forfeitures		6,500	6,5	00	-	6,500		
Interest and rentals		-		-	-	-		
Other		_		-		 		
Total revenue		6,500	6,5	00		 6,500		
Expenditures								
Current:								
Judicial		31,500	22,6	16	(8,884)	35,417		
Public safety		-		-	-	-		
Health and welfare		-		-	-	-		
Recreation and cultural		-		-	-	-		
Capital outlay		-		_		 		
Total expenditures		31,500	22,6	16	(8,884)	 35,417		
Revenue over (under) expenditures		(25,000)	(16,1	16)	8,884	 (28,917)		
Other financing sources (uses)								
Transfers in		25,000	25,0	00	-	28,917		
Transfers (out)		_		-		 		
Total other financing sources (uses)		25,000	25,0	00		28,917		
Net change in fund balances		-	8,8	84	8,884	-		
Fund balance (deficit), beginning of year		-		-				
Fund balance (deficit), end of year	\$	-	\$ 8,8	84 \$	8,884	\$ _		

Community Corrections

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

	Amende Budge		Actual	Over (Under) Budget	2003	
Revenue						
Taxes	\$	- \$	-	\$ -	\$ -	
Licenses and permits		-	-	-	-	
Intergovernmental	236	,468	220,277	(16,191)	217,479	
Charges for services		-	-	-	-	
Fines and forfeitures		-	-	-	-	
Interest and rentals		-	-	-	-	
Other		-	-		 	
Total revenue	236	,468	220,277	(16,191)	217,479	
Expenditures						
Current:						
Judicial		-	-	-	-	
Public safety	236	,468	220,276	(16,192)	211,859	
Health and welfare		-	-	-	-	
Recreation and cultural		-	-	-	-	
Capital outlay		-	-		 7,287	
Total expenditures	236	,468	220,276	(16,192)	 219,146	
Revenue over (under) expenditures		-	1	1_	(1,667)	
Other financing sources (uses)						
Transfers in		-	-	-	-	
Transfers (out)		-	-		 	
Total other financing sources (uses)		-	-		 	
Net change in fund balances		-	1	1	(1,667)	
Fund balance (deficit), beginning of year	17	,344	17,344		 19,011	
Fund balance (deficit), end of year	\$ 17	,344 \$	17,345	\$ 1	\$ 17,344	

Juvenile Justice Grant

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

	Amended Budget	Actual	Over (Under) Budget	2003		
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ -		
Licenses and permits	-	-	-	-		
Intergovernmental	12,125	12,067	(58)	10,674		
Charges for services	-	-	-	-		
Fines and forfeitures	-	-	-	-		
Interest and rentals	-	-	-	-		
Other						
Total revenue	12,125	12,067	(58)	10,674		
Expenditures						
Current:						
Judicial	-	-	-	-		
Public safety	-	-	-	-		
Health and welfare	12,125	12,067	(58)	10,674		
Recreation and cultural	-	-	-	-		
Capital outlay						
Total expenditures	12,125	12,067	(58)	10,674		
Revenue over (under) expenditures		-				
Other financing sources (uses)						
Transfers in	-	-	-	-		
Transfers (out)						
Total other financing sources (uses)		-	<u>-</u>			
Net change in fund balances	-	-	-	-		
Fund balance (deficit), beginning of year		-				
Fund balance (deficit), end of year	\$ -	\$ -	\$ -	\$ -		

Community Corrections State Office Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Nonmajor Special Revenue Funds

For the Year Ended December 31, 2004

	Amended Budget	Actual	Over (Under) Budget	2003	
Revenue					
Taxes	\$ -	\$ -	\$ -	\$ -	
Licenses and permits	-	-	-	-	
Intergovernmental	440,664	375,691	(64,973)	404,716	
Charges for services	-	-	-	-	
Fines and forfeitures	-	-	-	-	
Interest and rentals	-	-	-	-	
Other	-	-	-		
Total revenue	440,664	375,691	(64,973)	404,716	
Expenditures					
Current:					
Judicial	-	-	-	-	
Public safety	440,664	375,691	(64,973)	404,716	
Health and welfare	-	-	-	-	
Recreation and cultural	-	-	-	-	
Capital outlay	-	-	-		
Total expenditures	440,664	375,691	(64,973)	404,716	
Revenue over (under) expenditures		-			
Other financing sources (uses)					
Transfers in	-	-	-	-	
Transfers (out)		-			
Total other financing sources (uses)		-			
Net change in fund balances	-	-	-	-	
Fund balance (deficit), beginning of year	-	-			
Fund balance (deficit), end of year	\$ -	\$ -	\$ -	\$ -	

Prosecutor

	Amended Budget		Actual	Over (Under) Budget	2003
Revenue					
Taxes	\$	- \$	-	\$ -	\$ -
Licenses and permits		-	-	-	-
Intergovernmental	672,53	30	631,594	(40,936)	486,693
Charges for services		-	-	-	-
Fines and forfeitures		=	-	-	-
Interest and rentals		=	-	-	-
Other	33,29	91	32,315	(976)	 44,551
Total revenue	705,82	21	663,909	(41,912)	531,244
Expenditures					
Current:					
Judicial		-	-	-	-
Public safety	974,02	20	879,808	(94,212)	682,279
Health and welfare		=	-	-	-
Recreation and cultural		-	-	-	-
Capital outlay		-	-		 2,190
Total expenditures	974,02	20	879,808	(94,212)	684,469
Revenue over (under) expenditures	(268,19	99)	(215,899)	52,300	 (153,225)
Other financing sources (uses)					
Transfers in	228,49	90	176,224	(52,266)	173,827
Transfers (out)		-	-		
Total other financing sources (uses)	228,49	90	176,224	(52,266)	 173,827
Net change in fund balances	(39,70	09)	(39,675)	34	20,602
Fund balance (deficit), beginning of year	62,00)9	62,009		 41,407
Fund balance (deficit), end of year	\$ 22,30	00 \$	22,334	\$ 34	\$ 62,009

Federal and State Grants

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

		Amended Budget	Actual		Over (Under) Budget	2003		
Revenue								
Taxes	\$	-	\$	- 5	-	\$	-	
Licenses and permits		-		-	-		-	
Intergovernmental		100,000		-	(100,000)		74,486	
Charges for services		-		-	-		-	
Fines and forfeitures		-		-	-		-	
Interest and rentals		-		-	-		-	
Other		_		-	-		-	
Total revenue		100,000		-	(100,000)		74,486	
Expenditures								
Current:								
Judicial		-		-	-		-	
Public safety		-		-	-		-	
Health and welfare		100,000		-	(100,000)		74,486	
Recreation and cultural		-		-	-		-	
Capital outlay		_		-				
Total expenditures		100,000		-	(100,000)		74,486	
Revenue over (under) expenditures		-		-				
Other financing sources (uses)								
Transfers in		-		-	-		-	
Transfers (out)		-		-	-		-	
Total other financing sources (uses)		-		-				
Net change in fund balances		-		-	-		-	
Fund balance (deficit), beginning of year		-		-				
Fund balance (deficit), end of year	\$	_	\$	- 9	-	\$		

MSU Cooperative Extension

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

	Amended Budget	Actual	Over (Under) Budget	2003
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	33,350	30,734	(2,616)	36,669
Charges for services	-	-	-	4,395
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	=	=
Other		-	-	
Total revenue	33,350	30,734	(2,616)	41,064
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	35,988	33,372	(2,616)	38,425
Capital outlay		-		
Total expenditures	35,988	33,372	(2,616)	38,425
Revenue over (under) expenditures	(2,638)	(2,638)	-	2,639
Other financing sources (uses)				
Transfers in	-	-	=	=
Transfers (out)		-		
Total other financing sources (uses)				
Net change in fund balances	(2,638)	(2,638)	-	2,639
Fund balance (deficit), beginning of year	2,639	2,639		
Fund balance (deficit), end of year	\$ 1	\$ 1	\$ -	\$ 2,639

Human Services

Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Nonmajor Special Revenue Funds

For the Year Ended December 31, 2004

	mended		Over (Under)	
	 Budget	Actual	Budget	 2003
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	578,990	458,876	(120,114)	637,939
Charges for services	57,352	35,026	(22,326)	44,151
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	 	-		
Total revenue	 636,342	493,902	(142,440)	 682,090
Expenditures				
Current:				
Judicial	-	-	-	_
Public safety	-	-	-	-
Health and welfare	636,342	470,626	(165,716)	707,519
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	
Total expenditures	636,342	470,626	(165,716)	707,519
Revenue over (under) expenditures	-	23,276	23,276	(25,429)
Other financing sources (uses)				
Transfers in	-	-	-	12,000
Transfers (out)	 -	-		
Total other financing sources (uses)	 -	_		 12,000
Net change in fund balances	-	23,276	23,276	(13,429)
Fund balance (deficit), beginning of year	67,499	67,499		80,928
Fund balance (deficit), end of year	\$ 67,499	\$ 90,775	\$ 23,276	\$ 67,499

Soldiers' Relief

Schedule of Revenue, Expenditures, and

Changes in Fund Balances - Budget and Actual

	Amended		Over (Under)	
	 Budget	Actual	Budget	 2003
Revenue				
Taxes	\$ 10,207	\$ 10,120	\$ (87)	\$ 9,633
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	3	3	-
Other	 -	365	365	 269
Total revenue	 10,207	10,488	281	 9,902
Expenditures				
Current:				
Judicial	-	-	-	-
Public safety	-	-	=	-
Health and welfare	10,207	8,216	(1,991)	5,308
Recreation and cultural	-	-	=	-
Capital outlay	-	-	-	
Total expenditures	 10,207	8,216	(1,991)	 5,308
Revenue over (under) expenditures	-	2,272	2,272	4,594
Other financing sources (uses)				
Transfers in	-	_	-	-
Transfers (out)	 -	-	-	
Total other financing sources (uses)	-		-	
Net change in fund balances	-	2,272	2,272	4,594
Fund balance (deficit), beginning of year	 7,052	7,052	-	 2,458
Fund balance (deficit), end of year	\$ 7,052	\$ 9,324	\$ 2,272	\$ 7,052

Veterans' Trust

Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual

		nended Sudget	Actual	Over (Under) Budget	2003
Revenue					
Taxes	\$	- 5	\$ -	\$ -	\$ -
Licenses and permits		-	-	-	-
Intergovernmental		30,000	16,314	(13,686)	25,812
Charges for services		-	-	-	-
Fines and forfeitures		-	-	-	-
Interest and rentals		-	-	-	-
Other		-	-		
Total revenue		30,000	16,314	(13,686)	 25,812
Expenditures					
Current:					
Judicial		-	-	-	-
Public safety		-	-	-	-
Health and welfare		30,000	16,670	(13,330)	27,415
Recreation and cultural		-	-	-	-
Capital outlay		-	-	-	
Total expenditures		30,000	16,670	(13,330)	 27,415
Revenue over (under) expenditures		-	(356)	(356)	 (1,603)
Other financing sources (uses)					
Transfers in		-	-	-	-
Transfers (out)		-	-		
Total other financing sources (uses)		-	<u>-</u>		
Net change in fund balances		-	(356)	(356)	(1,603)
Fund balance (deficit), beginning of year		2,364	2,364		 3,967
Fund balance (deficit), end of year	\$	2,364	\$ 2,008	\$ (356)	\$ 2,364

NONMAJOR DEBT SERVICE FUNDS

Description of Funds Combining Financial Statements

NONMAJOR DEBT SERVICE FUNDS

- **Jail Series II** -- This fund is used to account for the retirement of bonds issued in 1989. Funding is provided by a property tax levy and interest on invested funds.
- **Jail Series III Refunding --** This fund is used to account for the retirement of refunding bonds issued in 1997. Funding is provided by a property tax levy.
- **Building Authority Refunding --** This fund is used to account for the payment of bonds related to various building renovation projects. Funding is provided through General Fund appropriations and rentals.
- **Justice Center Refunding --** This fund is used to account for payment of principal and interest of bonds related to the Justice Center Complex project. Funding is provided through General Fund appropriations.

Combining Balance Sheet Nonmajor Debt Service Funds December 31, 2004

	 (367) Jail Series II	(368) Jail Series III Refunding	(369) Building Authority Refunding	(370) Justice Center Refunding	Total
<u>ASSETS</u>					
Assets					
Cash and cash equivalents Property taxes receivable - delinquent	\$ 3,496	\$ 8,043 29,354	\$ 2,300	\$ 1,168	\$ 11,511 32,850
TOTAL ASSETS	\$ 3,496	\$ 37,397	\$ 2,300	\$ 1,168	\$ 44,361
<u>LIABILITIES</u> AND FUND BALANCES					
Liabilities					
Deferred revenue	\$ 3,496	\$ 28,698	\$ -	\$ -	\$ 32,194
Fund balances					
Reserved for debt service	 -	8,699	2,300	1,168	12,167
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,496	\$ 37,397	\$ 2,300	\$ 1,168	\$ 44,361

Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Debt Service Funds For the Year Ended December 31, 2004

	(367) Jail Series II		(368) Jail Series III Refunding	A	(369) Building Authority Refunding	(370) Justice Center Refunding		Total
Revenue								
Taxes	\$	- \$	864,789	\$	-	\$ -	\$	864,789
Interest and rentals		-	7,892		-	-		7,892
Other		-	24,266		-	-		24,266
Total revenue		-	896,947		-	-		896,947
Expenditures								
Current:								
Other		-	130,000		-	-		130,000
Debt service:								
Principal		-	1,490,000		155,000	428,283		2,073,283
Interest and fiscal charges		-	37,602		28,126	355,925		421,653
Total expenditures		-	1,657,602		183,126	784,208		2,624,936
Revenue over (under) expenditures		-	(760,655)		(183,126)	(784,208)	(1,727,989)
Other financings sources Transfers in		-	-		183,126	784,209		967,335
Net change in fund balances		-	(760,655)		-	1		(760,654)
Fund balance, beginning of year		-	769,354		2,300	1,167		772,821
Fund balance, end of year	\$	- \$	8,699	\$	2,300	\$ 1,168	\$	12,167

NONMAJOR ENTERPRISE FUNDS

Description of Funds Combining Financial Statements

ENTERPRISE FUNDS

Property Description -- This fund is used to account for the sale of property descriptions and aerial maps to the general public.

Sheriff Inmate Concession -- This fund is used to account for the operations of a store for Calhoun County Jail inmates. Funding is provided through sales of merchandise.

Combining Statement of Net Assets Nonmajor Enterprise Funds December 31, 2004

	(503) Property Description	(595) Sheriff Inmate Concession	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 58,489	\$ 257,876	\$ 316,365
Accounts receivable, net	164	-	164
Total current assets	58,653	257,876	316,529
Capital assets, net	5,986	-	5,986
Total assets	64,639	257,876	322,515
Current liabilities			
Accounts payable	-	40,116	40,116
Accrued payroll	901	-	901
Total current liabilities	901	40,116	41,017
Net assets			
Invested in capital assets	5,986	-	5,986
Unrestricted	57,752	217,760	275,512
Total fund equity	\$ 63,738	\$ 217,760	\$ 281,498

Combining Statement of Revenue, Expenses and Changes in Fund Net Assets Nonmajor Enterprise Funds For the Year Ended December 31, 2004

	(595) (503) Sheriff Property Inmate				
			Inmate		
		cription	C	oncession	Total
Operating revenue					
Charges for services	\$	1,857	\$	707,365	\$ 709,222
Operating expenses					
Personnel costs		44,488		-	44,488
Depreciation		2,373		-	2,373
Other		5,255		620,706	625,961
Total operating expenses		52,116		620,706	672,822
Income (loss) before transfers		(50,259)		86,659	36,400
Transfers					
Transfers in		50,245		-	50,245
Change in fund net assets		(14)		86,659	86,645
Net assets, beginning of year		63,752		131,101	194,853
Net assets, end of year	\$	63,738	\$	217,760	\$ 281,498

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2004

		(503) roperty scription	((595) Sheriff Inmate Concession	Total
Cash flows from operating activities					
Cash received from customers	\$	1,750	\$	707,365 \$	709,115
Cash payments to suppliers	·	(21,357)	·	(656,588)	(677,945)
Cash payments to employees		(36,274)			(36,274)
Net cash provided by (used in)					
operating activities		(55,881)		50,777	(5,104)
Cash flows from non-capital financing activities					
Transfers in		50,245		-	50,245
Cash flows from capital and related financing activities Purchase of capital assets		(1,100)		<u>-</u>	(1,100)
Net increase (decrease) in					
cash and cash equivalents		(6,736)		50,777	44,041
Cash and cash equivalents, beginning of year		65,225		207,099	272,324
Cash and cash equivalents, end of year	\$	58,489	\$	257,876 \$	316,365
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities Operating income (loss)	\$	(50,259)	\$	86,659 \$	36,400
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:					
Depreciation Changes in assets and liabilities:		2,373		-	2,373
Accounts receivable		(107)		_	(107)
Accounts payable		(8,229)		(35,882)	(44,111)
Accrued payroll		341		(33,002)	341
Net cash provided by (used in)					
operating activities	\$	(55,881)	\$	50,777 \$	(5,104)

INTERNAL SERVICE FUNDS

Description of Funds Combining Financial Statements

INTERNAL SERVICE FUNDS

- **Equipment Purchases --** This fund is used to account for certain equipment purchases made on a centralized basis.
- **Buildings & Grounds --** This fund is used to record the operation and maintenance of County buildings. Revenue is derived from building rents.
- **Administrative Services --** This fund is used to account for the operations of printing, mailing and telephone services, and data processing. Funding is provided through departmental user charges and contractual agreements.
- **Insurance --** This fund is used to account for the liability insurance coverage to the County. Funds are provided by a General Fund appropriation.
- **Employee Benefits --** This fund is used to account for various employee benefits which include health, dental, life, and disability insurance, and unemployment compensation claims. Funding is provided by charges to user departments.
- **Workers' Compensation --** This fund is used to record worker's compensation expenses and premium coverage from catastrophic loss. Financing for this fund is provided by departmental user charges.
- **Sick & Accident --** This fund is used to account for self-insured short-term disability claims. Funding is provided by charges to user departments.

Combining Statement of Net Assets Internal Service Funds December 31, 2004

	(402) quipment urchases	(631) Suilding & Grounds	A	(636) dministrative Services	(677) Insurance
Assets					
Current assets:					
Cash and cash equivalents	\$ 42,350	\$ 502,714	\$	8,369	\$ 256,378
Accounts receivable	-	159		1,953	87
Inventory	-	-		20,704	-
Prepaid items	 -	-		82,807	_
Total current assets	42,350	502,873		113,833	256,465
Capital assets, net	6,455	1,960,031		649,497	
Total assets	48,805	2,462,904		763,330	256,465
Liabilities					
Current liabilities:					
Accounts payable	-	121,926		44,411	9,829
Accrued payroll	-	8,833		6,654	-
Claims payable	-	-		-	196,603
Advances from other funds	-	120,401		-	-
Current portion of capital leases payable	-	-		40,888	
Total current liabilities	-	251,160		91,953	206,432
Long-term liabilities:					
Capital leases payable	-	_		270,631	
Total liabilities	 -	251,160		362,584	206,432
Net assets					
Invested in capital assets	6,455	1,960,031		337,978	-
Unrestricted	 42,350	251,713		62,768	50,033
Total net assets	\$ 48,805	\$ 2,211,744	\$	400,746	\$ 50,033

(694) Employee			
Benefits	Compensation	Accident	Total
\$ 1,448,878	\$ 423,396	\$ 249,511	\$ 2,931,596
-	-	-	2,199
-	_	-	20,704
13,540	-	-	96,347
1,462,418	423,396	249,511	3,050,846
-	_	-	2,615,983
1,462,418	423,396	249,511	5,666,829
11,949	-	-	188,115
-	-	-	15,487
234,515	252,344	-	683,462
-	-	-	120,401
 -	-	-	40,888
246,464	252,344	-	1,048,353
			250 (24
 -	-	-	270,631
 246,464	252,344		1,318,984
			2224461
1 215 054	171.052	240.511	2,304,464
 1,215,954	171,052	249,511	2,043,381
\$ 1,215,954	\$ 171,052	\$ 249,511	\$ 4,347,845

Combining Statement of Revenue, Expenses and Changes in Fund Net Assets Internal Service Funds

For the Year Ended December 31, 2004

	(402) Equipment Purchases	(631) Building & Grounds	(636) Administrative Services	(677) Insurance
Operating revenue				
Charges for services Other	\$ - -	\$ 2,262,324 17,162	\$ 1,053,913	\$ 651,689
Total operating revenue		2,279,486	1,053,913	651,689
Operating expenses Administration	_	_	_	_
Cost of services	_	2,095,943	964,739	718,773
Depreciation Depreciation	5,313	172,865	212,622	-
Total operating expenses	5,313	2,268,808	1,177,361	718,773
Operating income (loss)	(5,313)	10,678	(123,448)	(67,084)
Non-operating revenue Interest revenue				697
Income (loss) before transfers	(5,313)	10,678	(123,448)	(66,387)
Transfers Transfers in	_	_	86,200	_
Transfers (out)	-	(178,707)	-	(100,000)
Total transfers	-	(178,707)	86,200	(100,000)
Change in fund net assets	(5,313)	(168,029)	(37,248)	(166,387)
Net assets, beginning of year	54,118	2,379,773	437,994	216,420
Net assets, end of year	\$ 48,805	\$ 2,211,744	\$ 400,746	\$ 50,033

]	(694) Employee Benefits	loyee Workers' Sick &		Total
\$	5,057,093	\$ 290,016	325,146	\$ 9,640,181 17,162
	5,057,093	290,016	325,146	9,657,343
	145,041 4,038,899	2,376 314,205	17,133 268,811	164,550 8,401,370 390,800
	4,183,940	316,581	285,944	8,956,720
	873,153	(26,565)	39,202	700,623
	-	-	-	697
	873,153	(26,565)	39,202	701,320
	(350,000)	- (150,000)	(150,000)	86,200 (928,707)
	(350,000)	(150,000)	(150,000)	(842,507)
	523,153	(176,565)	(110,798)	(141,187)
	692,801	347,617	360,309	4,489,032
\$	1,215,954	\$ 171,052	\$ 249,511	\$ 4,347,845

Combining Statement of Cash Flows Internal Service Funds For the Year Ended December 31, 2004

	(402 Equipr Purch	nent	(631) Building & Grounds	Ac	(636) Iministrative Services	,	577) irance
Cash flows from operating activities							
Cash received from interfund services	\$	-	\$ 2,322,564	\$	1,052,762	3	653,818
Cash payments to suppliers		-	(1,912,288)		(782,999)		(666,227)
Cash payments to employees		-	(315,035)		(223,435)		
Net cash provided by (used in)							
operating activities		-	95,241		46,328		(12,409)
Cash flows from non-capital financing activities							
Transfers in		_	-		86,200		-
Transfers (out)		-	(178,707)		<u> </u>		(100,000)
Net cash provided by (used in)							
non-capital financing activities		-	(178,707)		86,200		(100,000)
Cash flows from capital and related financing ac	ctivities						
Purchase of capital assets		_	(140,951)		(118,675)		-
Capital lease payments		-	-		(9,963)		
Net cash (used in) capital and related							
financing activities		-	(140,951)		(128,638)		
Cash flows from investing activities							
Interest earned		-	-		-		697
Net increase (decrease) in							
cash and cash equivalents		-	(224,417)		3,890		(111,712)
Cash and cash equivalents, beginning of year	4	42,350	727,131		4,479		368,090
Cash and cash equivalents, end of year	\$	42,350	\$ 502,714	\$	8,369	\$	256,378

	(694)	(695)		(696)	
	Employee	Workers'		Sick &	
	Benefits	Compensation		Accident	Total
\$	5,082,275		\$	325,146	\$ 9,729,150
	(4,153,278)	(149,041)		(285,944)	(7,949,777)
	-	-		-	(538,470)
	928,997	143,544		39,202	1,240,903
					0.5.200
	- (2.50,000)	- (1 70 000)		- (4.50.000)	86,200
_	(350,000)	(150,000)		(150,000)	(928,707)
	(250,000)	(150,000)		(150,000)	(942.507)
_	(350,000)	(150,000)		(150,000)	(842,507)
	_	_		_	(259,626)
	_	_		_	(9,963)
_					(2,203)
	_	<u>-</u>		_	(269,589)
					(20),00)
	-	-		-	697
					_
	578,997	(6,456)		(110,798)	129,504
	869,881	429,852		360,309	2,802,092
			_		
\$	1,448,878	\$ 423,396	\$	249,511	\$ 2,931,596

(continued...)

Combining Statement of Cash Flows (Concluded) Internal Service Funds For the Year Ended December 31, 2004

	(402)	(631)	(636)	
	Equipment	Building &	Administrative	(677)
<u>-</u>	Purchases	Grounds	Services	Insurance
Reconciliation of operating income (loss) to				
net cash provided by (used in) operating activit	ies			
Operating income (loss)	\$ (5,313)	\$ 10,678	\$ (123,448)	\$ (67,084)
Adjustments to reconcile operating income (loss	(a)			
to net cash provided by (used in) operations:				
Depreciation	5,313	172,865	212,622	-
Changes in assets and liabilities:				
Accounts receivable	-	43,078	(1,151)	2,129
Inventory	-	-	(7,735)	-
Prepaid items	-	-	(21,763)	-
Accounts payable	-	(78,635)	(14,659)	(1,936)
Accrued payroll	-	3,191	2,462	-
Claims payable	-	-	-	54,482
Advances from other funds	æ	(55,936)		
Net cash provided by (used in)				
operating activities	\$ -	\$ 95,241	\$ 46,328	\$ (12,409)

	(694)		(695)	(696)				
]	Employee	V	Vorkers'	Sick &				
	Benefits Comper		npensation	Accident	Total			
\$	873,153	\$	(26,565)	\$ 39,202	\$	700,623		
	-		-	-		390,800		
	25,182		2,569	-		71,807		
	_		-	-		(7,735)		
	(13,540)		_	-		(35,303)		
	8,519		-	-		(86,711)		
	-		-	-		5,653		
	35,683		167,540	-		257,705		
	_		-	_		(55,936)		
\$	928,997	\$	143,544	\$ 39,202	\$	1,240,903		

FIDUCIARY FUNDS

Description of Funds Combining Financial Statements

FIDUCIARY FUNDS

PENSION TRUST FUNDS:

- **Employee's Defined Benefit --** This fund is used to account for the operations of the Defined Benefit Pension Plan.
- **Employee Benefits --** This fund is used to account for the administrative costs of operating the County's 401(k) Pension Plan.
- **Flexible Benefits --** This fund is used to account for donations held under a trust agreement as well as all other donations not accounted for elsewhere.

AGENCY FUNDS:

- **Trust and Agency --** This fund is used to account for assets held by Calhoun County acting as an agent for individuals, private organizations, other governmental units, and other funds.
- **Penal Fines --** This fund is used to account for money that is received from the courts for fines imposed as a result of State law violations.
- **Inmate Trust --** This fund is used to account for inmate monies held by the County while incarcerated.
- **Friend of the Court --** This fund is used to account for monies collected from non-custodial parents for distribution to custodial parents and/or other governmental units.
- **District Court --** This fund is used to account for various fines and bonds collected and subsequently distributed.

Combining Statement of Fiduciary Net Assets Pension and Other Employee Benefit Trust Funds December 31, 2004

	(735)	(731)	(734)	
	mployee's ined Benefit	Employee Benefits	Flexible Benefits	Total
Assida				
Assets		44.000		0= 0=4
Cash and cash equivalents	\$ 32,936	\$ 11,388	\$ 43,527 \$	0.,00-
Investments	3,311,607	-	-	3,311,607
Accounts receivable	 -	2,357	-	2,357
Total assets	 3,344,543	13,745	43,527	3,401,815
Liabilities				
Accounts payable	 2,422	2,085	-	4,507
Net assets held in trust for				
Retirement administration	3,342,121	-	-	3,342,121
Employee benefits	 	11,660	43,527	55,187
Total net assets	\$ 3,342,121	\$ 11,660	\$ 43,527 \$	3,397,308

Combining Statement of Changes in Plan Net Assets Pension and Other Employee Benefit Trust Funds For the Year Ended December 31, 2004

	(735) mployee's ned Benefit	(731) Employee Benefits	(734) Flexible Benefits	Total
Additions:				
Investment income:				
Interest and dividends	\$ 204,471	\$ 21	\$ - \$	204,492
Contributions:				
Employer	532,818	-	-	532,818
Employee	559,323	-	196,195	755,518
Forfeitures	 -	10,000	-	10,000
Total additions	 1,296,612	10,021	196,195	1,502,828
Deductions:				
Pension benefits paid to participants	177,957	-	-	177,957
Actuarial fees	27,321	-	-	27,321
Administrative fees	-	8,505	-	8,505
Refunds	27,414	-	-	27,414
Employee reimbursements	 -	_	209,125	209,125
Total deductions	 232,692	8,505	209,125	450,322
Net increase	1,063,920	1,516	(12,930)	1,052,506
Net assets held in trust for pension benefits				
Beginning of year	 2,278,201	10,144	56,457	2,344,802
End of year	\$ 3,342,121	\$ 11,660	\$ 43,527 \$	3,397,308

Combining Statement of Assets and Liabilities Agency Funds December 31, 2004

	 Trust and Agency		Penal Fines		Inmate Trust		Friend of the Court
Assets Cash and cash equivalents Accounts receivable	\$ 1,329,758	\$	107,427 29,625	\$	145,334	\$	5,224
Total assets	\$ 1,329,758	\$	137,052	\$	145,334	\$	5,224
Liabilities Accounts payable	\$ 2,431	\$	_	\$	-	\$	_
Due to individuals and agencies Due to other government units	 499,353 827,974		137,052		145,334		5,224
Total liabilities	\$ 1,329,758	\$	137,052	\$	145,334	\$	5,224

	District Court		Total
\$	559,332	\$	2,147,075 29,625
\$	559,332	\$	2,176,700
\$	_	\$	2,431
Ψ	559,332	Ψ	1,209,243
	-		965,026
\$	559,332	\$	2,176,700

Agency Funds

Combining Statement of Changes in Assets and Liabilities For the Year Ended December 31, 2004

	Beginning Balance Additions		Reductions			Ending Balance	
TRUST AND AGENCY FUND							
Assets							
Cash Due from other governmental units	\$	2,183,765 19,700	\$ 34,503,759	\$	35,357,766 19,700	\$	1,329,758
Total assets	\$	2,203,465	\$ 34,503,759	\$	35,377,466	\$	1,329,758
Liabilities							
Accounts payable	\$	707,814	\$ 24,443,099	\$	25,148,482	\$	2,431
Due to individuals and agencies		588,222	2,769,824		2,858,693		499,353
Due to other governmental units		907,429	30,534,154		30,613,609		827,974
Total liabilities	\$	2,203,465	\$ 57,747,077	\$	58,620,784	\$	1,329,758
PENAL FINES							
Assets							
Cash	\$	116,339	\$ 483,391	\$	492,303	\$	107,427
Accounts receivable		32,915	29,625		32,915		29,625
Total assets	\$	149,254	\$ 513,016	\$	525,218	\$	137,052
Liabilities							
Accounts payable	\$	144,446	\$ 362,540	\$	506,986	\$	-
Due to other governmental units		4,808	513,562		381,318		137,052
Total assets	\$	149,254	\$ 876,102	\$	888,304	\$	137,052

(continued...)

Agency Funds

Combining Statement of Changes in Assets and Liabilities (Continued)

For the Year Ended December 31, 2004

	eginning Balance	Additions		Reductions			Ending Balance
SHERIFF INMATE TRUST FUND Assets							
Cash and cash equivalents	\$ 58,850	\$	197,677	\$	111,193	\$	145,334
Liabilities Due to individuals and agencies	\$ 58,850	\$	2,522,499	\$	2,436,015	\$	145,334
FRIEND OF THE COURT FUND Assets Cash and cash equivalents	\$ 10,415	\$	566,183	\$	571,374	\$	5,224
Liabilities Due to individuals and agencies	\$ 10,415	\$	566,183	\$	571,374	\$	5,224
DISTRICT COURT FUND							
Assets Cash and cash equivalents	\$ 604,041	\$	17,851,522	\$	17,896,231	\$	559,332
Liabilities Due to individuals and agencies	\$ 604,041	\$	17,851,522	\$	17,896,231	\$	559,332

(continued...)

Agency Funds

Combining Statement of Changes in Assets and Liabilities (Concluded)

For the Year Ended December 31, 2004

	I	Beginning				Ending
		Balance	Additions		Reductions	Balance
TOTAL ALL ACTION FUNDS						
TOTAL ALL AGENCY FUNDS						
Assets						
Cash and cash equivalents	\$	2,973,410	\$ 53,602,532	\$	54,428,867	\$ 2,147,075
Accounts receivable		32,915	29,625		32,915	29,625
Due from other governmental units		19,700	-		19,700	
Total assets	\$	3,026,025	\$ 53,632,157	\$	54,481,482	\$ 2,176,700
Liabilities						
Accounts payable	\$	852,260	\$ 24,805,639	\$	25,655,468	\$ 2,431
Due to individuals and agencies		1,261,528	23,710,028		23,762,313	1,209,243
Due to other governmental units		912,237	31,047,716		30,994,927	965,026
Total liabilities	\$	3,026,025	\$ 79,563,383	\$	80,412,708	\$ 2,176,700

DRAIN COMMISSION COMPONENT UNIT

Description of Funds Combining Component Unit Financial Statements

DRAIN COMMISSION COMPONENT UNIT

- **County Drain --** This fund is used to record construction, maintenance and storm repair expenditures for all drains which are not accounted for in other drain capital projects funds.
- **Lake Level --** This fund is used to account for revenues and expenditures related to the control of lake levels.
- **Drain Revolving --** This fund is used to account for monies advanced for engineering, surveys, and other preliminary costs of new drains. Monies for the operation of this fund are supplied by an advance from the County General Fund and reimbursements from drain funds as special assessments are collected.
- **Lake Level Revolving --** This fund is used to account for money advanced for engineering and other preliminary costs of a lake level project.

Drain Commission Component Unit Statement of Net Assets / Governmental Funds Balance Sheet December 31, 2004

	Capital Projects Funds							
		County Drain		Lake Level		Drain Revolving	Lake Level Revolving	
Assets								
Cash and cash equivalents	\$	557,630	\$	110,020	\$	13,422	\$	8,707
Receivables:								
Accounts		481		-		-		-
Accrued interest		1,102		44		-		-
Special assessments		1,316,699		53,967		-		-
Due from other governments		16,870		-		-		-
Due from other funds		-		-		52,578		1,893
Capital assets, net		-		-		-		
Total assets	\$	1,892,782	\$	164,031	\$	66,000	\$	10,600
Liabilities								
Accounts payable	\$	174	\$	50	\$	-	\$	-
Accrued liabilities		-		-		-		-
Due to other funds		52,578		1,893		-		-
Advance from primary government		-		-		66,000		10,600
Deferred revenue		1,546,315		53,967		-		-
Long-term debt:								
Due in one year		-		-		-		-
Due in more than one year		_		-		-		
Total liabilities		1,599,067		55,910		66,000		10,600
Fund balances								
Unreserved, undesignated		293,715		108,121		_		
Total liabilities and fund balances	\$	1,892,782	\$	164,031	\$	66,000	\$	10,600

Net assets

Invested in capital assets, net of related debt Unrestricted

Total net assets

				5	Statement of
	Total	A	djustments		Net Assets
\$	689,779	\$	-	\$	689,779
	401				401
	481		-		481
	1,146		-		1,146
	1,370,666		-		1,370,666
	16,870		-		16,870
	54,471		(54,471)		-
	-		2,951,539		2,951,539
\$	2,133,413		2,897,068		5,030,481
\$	224	\$	-	\$	224
	-		94,331		94,331
	54,471		(54,471)		-
	76,600		-		76,600
	1,600,282		(1,600,282)		-
	-		318,300		318,300
	-		1,524,435		1,524,435
	1,731,577		282,313		2,013,890
	1,751,577		202,313		2,013,070
	401,836		(401,836)		-
\$	2 133 /13				
ψ	2,133,413	•			
			1,108,804		1,108,804
			1,907,787		1,907,787
		\$	3,016,591	\$	3,016,591

Drain Commission Component Unit Reconciliation of Fund Balances of Capital Projects Funds to Net Assets December 31, 2004

Fund balances - total capital projects funds	\$ 401,836
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and therefore not reported in the funds.	
Add: capital assets being depreciated, net	2,951,539
Because the focus of capital projects funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the capital projects funds, and thus are not included in fund balance.	
Add: deferred special assessments receivable	1,600,282
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Subtract: bonds payable, long-term portion	(1,524,435)
Subtract: bonds payable, current portion	(318,300)
Subtract: accrued interest on long-term liabilities	 (94,331)

\$ 3,016,591

Net assets

Drain Commission Component Unit Statement of Activities / Governmental Funds Revenue, Expenditures and Changes in Fund Balance For the Year Ended December 31, 2004

Capital Projects Funds

		Capitai i io	jects runus	
	County Drain	Lake Level	Drain Revolving	Lake Level Revolving
Revenue				
Special assessments	\$ 334,057 \$	7,000	\$ -	\$ -
Interest and rentals	 177,589	136	-	
Total revenue	 511,646	7,136	_	
Expenditures/Expense				
Public works	845,275	31,854	-	-
Debt service:				
Principal	391,786	5,400	-	-
Interest and fiscal charges	52,939	456	-	-
Total expenditures/expenses	 1,290,000	37,710	_	
Revenue over (under) expenditures	(778,354)	(30,574)	-	-
Other financing sources				
Note proceeds	 772,100	129,000	-	
Change in net asests / fund balances	(6,254)	98,426	-	-
Net assets / fund balances:				
Beginning of year	 299,969	9,695	-	
End of year	\$ 293,715 \$	108,121	\$ -	\$ -

			5	Statement of
Total	A	djustments		Activities
\$ 341,057	\$	543,595	\$	884,652
177,725		-		177,725
518,782		543,595		1,062,377
877,129		(683,553)		193,576
397,186		(397,186)		-
53,395		7,526		60,921
1,327,710		(1,073,213)		254,497
				_
(808,928)		1,616,808		
901,100		(901,100)		
92,172		715,708		807,880
309,664		1,899,047		2,208,711
\$ 401,836	\$	2,614,755	\$	3,016,591

Drain Commission Component Unit Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Capital Projects Funds to the Statement of Activities For the Year Ended December 31, 2004

Net change in fund balances - total capital projects funds	\$ 92,172
Amounts reported in the statement of activities are different because:	
Capital projects funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported	
as depreciation expense. Add: capital outlay	738,111
Subtract: depreciation expense	(54,558)
The second secon	(- ,,
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Subtract: change in deferred special assessments	543,595
Bond proceeds provide current financial resources to capital projects funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the capital projects funds, but the repayment reduces long term-liabilities.	
Add: principal payments on long-term liabilities	397,186
Subtract: proceeds from the issuance of notes payable	(901,100)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in capital projects funds.	
Add: change in accrued interest on bonds	(7,526)
Change in net assets	\$ 807,880

STATISTICAL SECTION



Table 1 COUNTY OF CALHOUN, MICHIGAN GENERAL FUND - UNAUDITED - LAST TEN YEARS

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
REVENUE BY SOURCE										
Taxes and Special Assessments	\$ 15,585,141	\$ 15,253,145	\$ 14,255,700	\$ 13,583,507	\$ 13,243,537	\$ 12,763,711	\$ 12,106,393	\$ 11,390,157	\$ 10,908,380	\$ 10,834,746
Licenses and permits	84,729	72,586	77,441	83,430	107,201	114,086	99,035	90,878	76,633	78,528
Intergovernmental	4,323,001	5,500,103	6,017,173	6,123,174	5,930,227	5,620,079	5,642,301	5,291,681	4,417,019	4,047,309
Charges for services	9,887,270	10,033,582	9,652,108	8,109,078	8,119,909	6,930,890	6,908,622	6,693,395	5,601,504	3,596,515
Fines and forfeitures	800,899	895,844	1,061,352	930,530	967,370	1,019,439	1,154,764	1,121,452	973,588	788,408
Interest and rents	199,462	179,922	232,873	414,688	459,466	356,200	340,807	443,291	360,666	413,607
Other	603,932	625,894	662,400	691,329	616,743	375,886	499,561	582,776	603,196	133,453
	\$ 31,484,434	\$ 32,561,076	\$ 31,959,047	\$ 29,935,736	\$ 29,444,453	\$ 27,180,291	\$ 26,751,483	\$ 25,613,630	\$ 22,940,986	\$ 19,892,566
EXPENDITURES BY FUNCTION										
Legislative	\$ 187,300	\$ 195,403	\$ 217,551	\$ 186,123	\$ 180,323	\$ 176,065	\$ 140,992	\$ 121,820	\$ 121,791	\$ 152,779
Judicial	7,880,352	7,518,324	7,316,118	7,243,503	6,698,312	6,395,348	6,259,444	6,206,579	5,896,992	5,529,215
General Government	5,999,219	5,635,978	5,445,848	4,971,155	4,973,391	4,889,875	4,427,980	3,871,761	3,600,367	3,419,489
Public Safety	12,677,734	11,781,114	11,021,344	10,279,917	9,811,009	9,064,564	8,072,346	7,289,813	6,623,235	5,431,836
Public Works	81,496	86,098	74,217	90,194	63,262	66,479	54,870	44,524	39,203	30,533
Health and Welfare	885,481	894,540	857,107	837,555	871,679	739,476	738,115	743,704	409,169	384,927
Other	2,406,961	2,371,940	2,314,669	2,199,487	2,060,756	2,400,790	2,083,611	2,044,481	1,517,483	1,648,095
Capital Outlay	223,758	153,947	225,800	54,604	220,302	442,264	324,719	355,944	274,549	186,746
Debt Service	1	•	1	1	1	ı			1	1
Less: Reimbursements	1	1	1	1	1	(219,231)	(533,532)	(443,349)	(338,401)	(561,175)
	\$ 30,342,301	\$ 28,637,344	\$ 27,472,654	\$ 25,862,538	\$ 24,879,034	\$ 23,955,630	\$ 21,568,545	\$ 20,235,277	\$ 18,144,388	\$ 16,222,445
Rev over(under) expend	1,142,133	3,923,732	4,486,393	4,073,198	4,565,419	3,224,661	5,182,938	5,378,353	4,796,598	3,670,121
OTHER FINANCING SOURCES(USES)	USES)									
Operating Transfers in	3,978,007	1,214,485	2,286,656	1,904,066	868,516	801,158	990,467	980,436	1,205,733	952,128
Operating Transfers (out)	(6,005,268)	(5,550,944)	(5,496,227)	(5,745,885)	(5,049,210)	(5,376,677)	(5,475,891)	(5,806,791)	(5,143,212)	(4,796,296)
Oper Trnsfr to comp unit	1	1	ı	ı	(3,780)	(3,780)	(3,780)	(3,780)	(3,780)	(4,230)
	(2,027,261)	(4,336,459)	(3,209,571)	(3,841,819)	(4,184,474)	(4,579,299)	(4,489,204)	(4,830,135)	(3,941,259)	(3,848,398)
Rev & other sources over (under) expend & other (uses)	(885,128)	(412,727)	1,276,822	231,379	380,945	(1,354,638)	693,734	548,218	855,339	(178,277)
Fund Balances heg of year	3 248 566	3 661 293	2 384 471	2 269 410	1 888 465	3 243 103	2 549 369	2 001 151	1 145 812	1 324 089
	,,	0,100,0		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	600,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		1,0,0	506, 106,
Residual Equity Transfer	1	1	1	1	,		,	1	1	
Prior Period Adjustment	(5,836)	ı	•	(116,318)	•	•	•	•	1	•
Fund Balances, end of year	\$ 2,357,602	\$ 3,248,566	\$ 3,661,293	\$ 2,384,471	\$ 2,269,410	\$ 1,888,465	\$ 3,243,103	\$ 2,549,369	\$ 2,001,151	\$ 1,145,812

Table 2 COUNTY OF CALHOUN, MICHIGAN

PROPERTY TAXES LEVIED AND COLLECTED - UNAUDITED LAST TEN YEARS

(1)	Total	Collected	Percent
Year Ended	Taxes	to March 1	of Levy
December 31,	Levied	Each Year	Collected
2004	\$ 16,196,573	\$ 14,874,267	91.8%
2003	15,612,489	14,220,519	91.1%
2002	15,124,938	13,781,041	91.1%
2001	14,402,419	12,933,207	89.8%
2000	13,561,775	12,254,650	90.4%
1999	13,313,400	11,804,401	88.7%
1998	12,686,818	11,590,156	91.4%
1997	12,053,525	10,848,173	90.0%
1996	11,344,000	10,301,062	90.8%
1995	10,818,000	10,015,582	92.6%

(1) Property taxes are levied December 1 of the preceding year and become delinquent March 1 of the current year. Delinquent real property taxes of all taxing districts in the County are purchased by the County's Delinquent Tax Revolving Fund. Uncollected personal property taxes must be collected by the applicable local treasurers.

Table 3 COUNTY OF CALHOUN, MICHIGAN

TAXABLE AND ESTIMATED ACTUAL VALUE OF PROPERTY - UNAUDITED LAST TEN YEARS

	Real P	Real Property	Personal	Personal Property	T_0	Total	Ratio of
		Estimated		Estimated		Estimated	Taxable to
Ξ	Taxable	Actual	Taxable	Actual	Taxable	Actual	Estimated
Year	Value	Value	Value	Value	Value	Value	Actual Value
2004	\$ 2 692 723 416	\$ 2 692 723 416 \$ 5 385 446 832	\$ 535 689 538	\$1 071 379 076	\$ 3 228 412 954	\$ 6.456.825.908	%0.05
2000	7 561 050 520	070,011,001,2	550,402,600	1 100 005 010	0,111,661,140	200,677,664	50.0%
2002	655,850,195,7	5,122,117,078	550,492,609	1,100,985,218	5,111,551,148	0,223,102,290	20.0%
2002	2,434,861,175	4,869,722,350	547,576,550	1,095,153,100	2,982,437,725	5,964,875,450	20.0%
2001	2,290,495,440	4,580,990,880	520,470,286	1,040,940,572	2,810,965,726	5,621,931,452	50.0%
2000	2,137,736,040	4,275,472,080	459,569,670	919,139,340	2,597,305,710	5,194,611,420	50.0%
1999	2,020,369,712	4,040,739,424	477,180,497	954,360,994	2,497,550,209	4,995,100,418	50.0%
1998	1,909,959,528	3,819,919,056	442,506,262	885,012,524	2,352,465,790	4,704,931,580	50.0%
1997	1,800,199,329	3,600,398,658	425,833,688	851,667,376	2,226,033,017	4,452,066,034	50.0%
1996	1,703,220,160	3,406,440,320	381,998,188	763,996,376	2,085,218,348	4,170,436,696	50.0%
1995	1.628.655.940	3.257.311.880	351.200.556	702.401.112	1.979.856.496	3.959.712.992	20.0%

(1) Property taxes for the years listed are levied December 1 of the preceding year based on assessed values as of that date.

Table 4 COUNTY OF CALHOUN, MICHIGAN

PROPERTY TAX RATES (1) - UNAUDITED DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN YEARS

			(2)				
		(2)	State	(3)			
Taxes Levied	Cities and	School	Education	Other			
December 1,	Villages	Districts	Tax	Schools	County	Townships	Total
2004	13.8644	9.8420	6.0000	4.9544	6.3713	2.2752	43.3073
2003	13.7406	9.4859	5.0000	4.9705	6.6513	2.2456	42.0939
2002	13.8319	9.3871	00009	4.8787	6.6713	2.2732	43.0422
2001	13.8795	12.0504	00009	4.8874	7.1961	1.7500	45.7634
2000	13.7002	11.2463	000009	4.8933	7.2120	1.7801	44.8319
1999	13.6879	10.4637	6.0000	4.8940	7.2120	1.6947	43.9523
1998	13.7797	10.2741	6.0000	4.9139	7.2319	1.7470	43.9466
1997	12.5733	10.9375	6.0000	4.8423	7.3774	0.9247	42.6552
1996	13.9724	10.2454	6.0000	4.4990	7.4119	1.7086	43.8373
1995	14.4226	9.8726	00009	4.4971	6.6619	1.9146	43.3688

(1) Per \$1,000 of equalized value.

(2) In 1994 property tax reform was implemented in the State.

(3) Includes intermediate school districts (i.e., special education and vocational) and community colleges.

SOURCES: Annual Apportionment Report of Calhoun County

Table 5 COUNTY OF CALHOUN, MICHIGAN

SPECIAL ASSESSMENTS BILLED AND COLLECTED - UNAUDITED LAST TEN YEARS

			Percent	(1)
Year	Billed	Collected	collected	Delinquent
2004	\$ 165,341	\$ 152,847	92.4%	12,494
2003	204,925	188,706	92.1%	16,219
2002	132,131	119,653	90.6%	12,478
2001	155,875	141,930	91.1%	13,946
2000	161,166	139,769	86.7%	21,397
1999	90,938	69,956	76.9%	20,982
1998	114,690	92,663	80.8%	22,027
1997	188,152	162,397	86.3%	25,755
1996	132,868	111,332	83.8%	21,536
1995	133,160	117,734	88.4%	15,426

⁽¹⁾ Delinquent special assessments are as of March 1 of the succeeding year when they are purchased by the County's Delinquent Tax Revolving Fund.

Table 6 COUNTY OF CALHOUN, MICHIGAN

RATIO OF NET GENERAL BONDED DEBT TO TAXABLE VALUE AND NET BONDED DEBT PER CAPITA - UNAUDITED LAST TEN YEARS

Net Bonded	Debt Per Capita	65	75	87	1111	133	150	169	187	186	196
		\$ %	%	%	%	%	%	%	%	%	%
Ratio of Net Bonded Debt to	Taxable Value	0.28%	0.34%	0.40%	0.54%	0.71%	0.85%	1.01%	1.17%	1.25%	1.39%
Net	Bonded Debt	9,077,103	10,444,724	12,054,372	15,305,178	18,368,779	21,237,961	23,816,638	26,060,278	26,011,550	27,604,465
		↔									
Less Self-	Supporting Portions	ı	1	1	ı	1	1	1	1	1	1
Le	Sup Po	\$									
(4) Less Debt	Service Fund Amounts	12,167	717,829	2,785,918	1,814,528	1,122,907	600,311	257,978	40,443	1,533,450	1,495,535
Le	Serv	↔									
(3) Gross	Bonded Debt	9,089,270	11,162,553	14,840,290	17,119,706	19,491,686	21,838,272	24,074,616	26,100,721	27,545,000	29,100,000
		↔									
(2)	Taxable Value	3,228,412,954	3,111,551,148	2,982,437,725	2,810,965,726	2,597,305,710	2,497,550,209	2,352,465,790	2,226,033,017	2,085,218,348	1,979,856,496
		↔									
	(1) Population	139,067	138,854	138,375	138,031	137,985	141,380	141,005	139,700	140,112	140,689
	Year	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995

⁽¹⁾ From Table 10

⁽²⁾ From Table 3

⁽³⁾ Amounts do not include special assessment debt, revenue bonds or discretely presented component units.

⁽⁴⁾ Represents amounts available for repayment of general obligation bonds.

Table 7 COUNTY OF CALHOUN, MICHIGAN

COMPUTATION OF LEGAL DEBT MARGIN - UNAUDITED

State Equalized Valuation (SEV)		\$ 3	3,953,970,561
Legal debt limit (10% of SEV) (1) Debt applicable to limitation:		\$	395,397,056
County general obligation bonds	\$ 9,089,270		
County general obligation tax notes	450,000		
Michigan Transportation Fund notes	2,210,000		
Water and sewer project revenue bonds (2)	16,916,000		
Less: debt with no County credit pledged	(4,281,000)		
			24,384,270
LEGAL DEBT MARGIN		\$	371,012,786

- (1) Article VII, Paragraph II of the Constitution of the State of Michigan of 1963, as amended.
- (2) Payable by local municipalities solely from the proceeds of contractual obligations.

SOURCE: Calhoun County Treasurer

Table 8 COUNTY OF CALHOUN, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT - UNAUDITED

	(1) Net Debt utstanding	Percentage Applicable to Calhoun County	Amount Applicable to Calhoun County	
Direct:				
County issued bonded debt	\$ 9,089,270	100.00%	\$	9,089,270
Overlapping:				
School Districts	(2)	(2)		198,578,933
Cities, Townships and Villages	(2)	(2)		110,167,000
Community Colleges and Intermediate				
Intermediate School Districts	(2)	(2)		14,071,782
District Library	(2)	(2)		4,500,470
Overlapping Debt Subtotal				327,318,185
TOTAL			\$	336,407,455

SOURCE: Municipal Advisory Council of Michigan

⁽¹⁾ Excludes self-supporting debt or that portion paid directly by benefiting municipalities.

⁽²⁾ Data not readily available.

Table 9 COUNTY OF CALHOUN, MICHIGAN

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES - UNAUDITED LAST TEN YEARS

	Annual	Total	
	Debt	General Fund	
Year	Service	Expenditures	Ratio
2004	\$ 2,493,849	\$ 30,342,301	8.2%
2003	4,241,806	28,637,344	14.8%
2002	2,990,617	27,472,652	10.9%
2001	3,194,390	25,862,538	12.4%
2000	3,282,415	24,879,034	13.2%
1999	3,283,000	23,955,630	13.7%
1998	3,180,294	21,568,545	14.7%
1997	5,029,191	20,235,277	24.9%
1996	3,369,277	18,144,388	18.6%
1995	3,426,495	16,222,445	21.1%

Table 10 COUNTY OF CALHOUN, MICHIGAN

DEMOGRAPHIC STATISTICS (1) - UNAUDITED

<u>Year</u>	Population	Per Capita Income	School Enrollment	Unemployment Rate
2004	139,067	\$ 31,954	25,962	6.8%
2003	138,854	31,178	27,528	7.2%
2002	138,375	26,213	27,001	6.0%
2001	138,175	25,292	27,432	5.1%
2000	137,985	25,138	27,348	4.3%
1999	141,380	24,458	26,521	4.2%
1998	141,005	23,474	27,189	4.0%
1997	139,700	23,104	27,189	4.2%
1996	140,112	21,721	27,870	4.8%
1995	140,689	20,392	27,140	5.5%

<u>Year</u>	Population	Median Ag	
2000	137,985	-	
1990	135,982	33.9	
1980	141,557	-	
1970	141,963	-	
1960	138,858	-	
1950	120,813	-	

(1) Reliable or complete data not readily obtainable where not provided.

SOURCES:

Population - Population Estimates Program, Population Division, U. S. Census Bureau

Per Capita Income - Michigan Employment Security Commission

School Enrollment - Calhoun County Intermediate School District

Unemployment Rate - Michigan Employment Security Commission

Table 11 COUNTY OF CALHOUN, MICHIGAN

PROPERTY VALUE BY CLASS - UNAUDITED LAST TEN YEARS

Year	Agriculture	Commercial	Industrial	Residential	De	evelopment	Personal
2004	\$ 154,314,669	\$ 448,825,878	\$ 184,356,511	\$ 1,901,864,970	\$	3,361,388	\$ 535,689,538
2003	152,257,445	429,160,077	176,362,342	1,801,242,574		2,036,101	550,492,609
2002	150,477,605	410,382,163	161,060,971	1,711,294,924		1,645,512	547,576,550
2001	146,415,799	380,199,481	153,216,444	1,609,241,031		1,422,685	520,470,286
2000	140,385,742	356,611,395	134,913,232	1,503,877,860		1,947,811	459,569,670
1999	137,326,266	331,446,731	132,073,157	1,417,646,379		1,877,179	477,180,497
1998	133,948,794	325,288,117	108,653,450	1,340,267,445		1,801,722	442,506,262
1997	130,132,550	310,782,408	104,594,405	1,252,634,189		2,055,777	425,833,688
1996	126,002,411	293,726,892	102,438,723	1,178,914,612		2,137,522	381,998,188
1995	123,815,417	285,106,470	97,939,020	1,119,869,365		1,925,668	351,200,556

SOURCE: Calhoun County Equalization

Table 12 COUNTY OF CALHOUN, MICHIGAN

PRINCIPAL TAXPAYERS - UNAUDITED

Taxpayer	Taxable Value
Kellogg Company	\$ 155,485,568
Denso Manufacturing USA, Inc.	98,921,592
Kraft Foods	55,083,745
Consumers Energy	45,107,708
Musashi Auto Parts - Michigan, Inc.	27,917,432
I.I. Stanley Co., Inc.	23,160,843
Semco Energy Inc.	18,537,912
Ralcorp Holdings, Inc.	15,531,455
Hayes - Lemmerz International, Inc.	13,657,819
Yorozu Automotive North America, Inc.	12,720,641

SOURCE: Calhoun County Equalization

Table 13 COUNTY OF CALHOUN, MICHIGAN

MISCELLANEOUS STATISTICS - UNAUDITED

LOCATION AND DESCRIPTION - Calhoun County is located in southern Michigan at the junction of two major interstate freeways - I-94 (east/west) and I-69 (north/south). Encompassing an area of approximately 710 square miles of gently rolling hills, the County has three population areas: the City of Albion in the eastern portion of the County, the City of Marshall in the center and the City of Battle Creek in the northwest corner. The remainder of the County is primarily agricultural. There are 19 townships, four incorporated cities and four villages within the boundaries of the County.

Distances from Marshall, the county seat, to major U.S. cities in the region are as follows:

	<u>Miles</u>	<u>Kilometers</u>
Chicago	170	273
Cleveland	250	402
Detroit	115	185
Indianapolis	200	321

MILES OF COUNTY MAINTAINED ROADS:

Primary - 483 miles Local - 827 miles paved State Trunkline - 205 miles

HIGHER EDUCATION - Higher education opportunities are available to County residents at the following colleges and universities:

	<u>City</u>	Distance
In County:		
Albion College	Albion	
Kellogg Community College	Battle Creek	
Olivet College	Olivet	
Davenport College	Battle Creek	
Western Michigan UnivCollege of Aviation	Battle Creek	
Western Michigan UnivKendall Center	Battle Creek	
Out of County:		
Jackson Community College	Jackson	30 miles
Kalamazoo Valley Community College	Kalamazoo	30 miles
Lansing Community College	Lansing	40 miles
Michigan State University	East Lansing	40 miles
Spring Arbor College	Jackson	30 miles
Western Michigan University	Kalamazoo	30 miles
University of Michigan	Ann Arbor	70 miles

MAJOR EMPLOYERS:

	Number of Employees
Denso Manufacturing USA, Inc.	2,400
Kellogg Company	1,750
U.S. Department of Defense, Logistics Service Center	1,600
Battle Creek Health Systems	1,422
Battle Creek Public Schools	1,411
U.S. Veterans Administration Hospital	1,315
Kraft Foods Inc.	830
State Farm Insurance Company	826
Tokai Rika	750
I.I. Stanley	750

Table 14 COUNTY OF CALHOUN, MICHIGAN

SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS - UNAUDITED

Name and Title of Official	Annual Salary	Amount of Surety Bond	
Ann Rosenbaum-Petredean, County Treasurer	\$ 69,546	\$ 1,000,000	
Blaine W. VanSickle, Drain Commissioner	58,366	1,000,000	
Allen Byam, Sheriff	83,231	1,000,000	
Anne B. Norlander, County Clerk/Register of Deeds	61,693	1,000,000	
John A. Hallacy, Prosecuting Attorney	96,165	1,000,000	

SOURCE: Calhoun County Board of Commissioner's Resolution

Table 15 COUNTY OF CALHOUN, MICHIGAN

LABOR AGREEMENTS - UNAUDITED

EMPLOYEE GROUP	NUMBER OF EMPLOYEES	EXPIRATION DATE OF CONTRACT
APPA (Assistant Prosecuting Attorney's Association)	19	December 31, 2005
AFSCME (County Middle Management)	6	December 31, 2004
AFSCME (Health Department)	4	December 31, 2005
Circuit Court (Non-Union)/Family Court	22	*
District Court (Non-Union)	19	*
GELC	97	December 31, 2005
IUOE (Health Department)	50	December 31, 2005
MNA (Health Department Nurses)	21	December 31, 2005
POLC (Non-supervisory)	146	December 31, 2003
COAM (Supervisory)	20	December 31, 2006
Probate Court	8	*
UAW - Circuit	79	December 31, 2006
UAW - District	35	December 31, 2006
County (Non-Union)	39	*
Department Heads	10	*
Appointed	8	*

^{*}No contracts for Non-Union, but compensation is in accordance with Board/Courts policy.

Table 16 COUNTY OF CALHOUN, MICHIGAN PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS LAST TEN FISCAL YEARS

Property Value (1)*								
Fiscal								Bank
Year	Comi	mercial	R	Residential		Total	De	posits (2)*
2004	\$	448,826	\$	1,901,865	\$	2,350,691	\$	972,216
2003		429,160		1,801,243		2,230,403		929,667
2002		410,382		1,711,295		2,121,677		956,007
2001		380,199		1,609,241		1,989,440		1,007,105
2000		356,611		1,503,878		1,860,489		1,002,007
1999		331,447		1,417,646		1,749,093		994,875
1998		325,288		1,340,267		1,665,555		1,025,359
1997		310,782		1,252,634		1,563,416		1,042,203
1996		293,727		1,178,915		1,472,642		1,039,734
1995		285,106		1,119,869		1,404,975		1,035,201

^{*}Amounts expressed in thousands

⁽¹⁾ Estimated actual value from Table 11

⁽²⁾ Source: Federal Deposit Insurance Corporation